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June 1982

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Departmental Series Eastern European Department DS No 14/83

VISIT OF THE YUGOSLAV PRIME MINISTER TO BRITAIN, 15-18 NOVEMBER

(Her Majesty's Ambassador at Belgrade to the Secretary of State for Foreign and Commonwealth Affairs)

SUMMARY

- 1. The highest-level Yugoslav visit to Britain since Tito. Well timed both from the Yugoslav and the British point of view, because of Mrs Planinc's need for international support for her policies and pending decisions on financial support for Yugoslavia in 1984. A great success, with useful talks covering a wide range of subjects in a friendly atmosphere (Paras 1-3).
- 2. The two Prime Ministers agreed on the need to keep East-West channels open, and on the role which European countries can play in this process (Para 4).
- 3. The Yugoslav economy still in crisis, but the balance of payments prospect looks brighter and Yugoslavia's requirements for foreign assistance in 1984 are realistic (Para 5).
- 4. The Secretary of State's talks with Mrs Planinc covered the Non-Aligned Movement (and the need to make it more non-aligned), the Middle East, CDE and Balkan cooperation (Para 6).
- 5. Yugoslavia has reduced its deficit in British-Yugoslav trade, and Mrs Planinc heard some useful advice on how to improve trade further in both directions (Para 7).
- 6. A short visit to Scotland made an enjoyable end to the visit. The Ambassador's thanks to all who contributed to its success (Paras 8 and 9).

Belgrade 25 November 1983

Sir.

1. Mrs Milka Planinc, President of the Federal Executive Council, is the most senior member of the Yugoslav leadership to have visited Britain since President Tito's last visit in 1978. Her visit last week, in return for that of Mrs Thatcher as Prime Minister in 1980, was seen by the Yugoslavs as a further sign of continuing British friendship, support and interest in the stability of post-Tito Yugoslavia. The visit had had to be postponed by six months because of the British General Election; but the timing turned out to be particularly good for two reasons. First, I believe that it

gave a welcome boost to the morale of Mrs Planinc and her colleagues at a time when they are having to fight hard against internal resistance to their policies for the modernisation and restructuring of the Yugoslav economy. Second, it came at a time when Western Governments are in the process of reviewing the results of the international package of financial assistance to Yugoslavia in 1983 and considering what form such assistance might take in 1984. For the Yugoslavs, it was also a valuable opportunity to review with one of the leading members of the Western Alliance the present critical phase in East-West relations and other current international problems in which, as a leading member of the Non-Aligned Movement, Yugoslavia takes a close and well-informed interest.

- 2. The visit was a triumphant success. Mrs Planinc and the members of her party, as well as a number of other leading Yugoslavs from the President of the League of Communists downwards, have already spoken to me in the warmest terms of the friendly welcome which she received from the Prime Minister and yourself and other members of the Government, of the usefulness of the talks, and of the admirable way in which the programme (a copy of which I am enclosing with this despatch) enabled her to pursue the full range of bilateral and international business while allowing a little time for relaxation and for seeing something of Britain, which she was visiting for the first time. The only qualification I have heard was that all the conversations she had were so interesting that she would have liked them to go on much longer, and that the visit was so enjoyable that three days was too short.
- 3. The conversations between the two Prime Ministers concentrated on East-West relations and the state of the Yugoslav and world economies; the first of these subjects was covered also in your own talks with Mrs Planinc, and the second in her talks with the Chief Secretary of the Treasury and the Secretary of State for Trade and Industry, and in the meeting beween her accompanying Minister, Mr Kovačević, and the Governor of the Bank of England. In addition, you discussed with Mrs Planinc the Non-Aligned Movement, the Lebanese crisis and the Gulf War, the Cyprus crisis and Balkan cooperation. British-Yugoslav trade was discussed with Mr Tebbit and at a lively and useful meeting with British businessmen organised by the Confederation of British Industry. As Mrs Planinc herself remarked, bilateral political relations are in such good repair that there were no problems to talk about in this field.
- 4. Talks on East-West relations with the Yugoslavs are always of interest because of their unique strategic perspective, and Mrs Planinc's style, direct and free of cant, made them particularly refreshing. She expressed with clarity and simplicity Yugoslavia's deep concern about the absence of dialogue or comprehension between Washington and Moscow. She drew attention to what she believed to be illusions on both sides: on the part of the United States, that the Soviet Union could be exhausted by forcing a continuing growth of military expenditure, and on the part of the Soviet Union that the West could be frightened into abandoning its programme of nuclear modernisation. She expressed the belief that the forces such as they were for modernisation and liberalisation in the Soviet Union and Eastern Europe could only be fostered in an atmosphere of reduced tension, and that the European countries should do all they could to keep the East-West channels of communication open. In this she was echoing the spirit of the Prime Minister's Guildhall speech of a few days before, and she and Mrs Thatcher found themselves, I believe, on very much the same wavelength in stressing the importance of taking such opportunities as the Stockholm CDE Conference and bilateral contacts with East European countries to maintain the dialogue.
- 5. On the Yugoslav economic crisis, Mrs Planinc did not conceal the gravity of the problems which her Government faces in seeking to bring inflation under control, to revive flagging industrial production, and to overcome the resistance of local and ideological vested interests in

order to open the economy to market forces. She was able, at the same time, to tell what Mrs Thatcher herself described as a "success story" about the dramatic reduction in Yugoslavia's balance of payments deficit over the last two years. The current account deficit with the convertible currency area is likely to be less than \$500 million this year, with reasonable prospects for a sizeable surplus in 1984. That this has been achieved at the expense of a steep devaluation of the dinar, a rigid control on imports, and a sharp fall in the standard of living of the population has been brought home to all of us in Belgrade as we shiver through the first prolonged power cuts of what promises to be a harsh winter; but Yugoslavia has fulfilled to the satisfaction of the International Monetary Fund the tough economic programme set for her in 1983, and has been able, with a good deal of help from her friends, to meet or postpone all her massive debt obligations. The obligations for 1984 are a little less formidable, but the going at home will be tougher and Mrs Planinc will need all the moral and financial support the West can give her to win through. She spoke with warm appreciation of the timeliness and quality of the British contribution to the 1983 international package. She was realistic enough to stress that the need in 1984 would be primarily for restructuring of debt ("consolidation" is the latest euphemism for rescheduling) rather than for major injections of new credit. At the same time, she emphasised the need for continuing Western export credit guarantees to enable Yugoslavia, through what promises to be a reasonably effective system of controlled imports, to build up her increasingly exportoriented industries. I venture to share her hope that this approach, which offers the best prospect of removing Yugoslavia within a few years from the list of the world's problem economies, will meet with understanding from the Ministers and officials who had the opportunity during her visit to London to assess the realism and courage of Mrs Planinc's policies.

- 6. The Yugoslav Government are increasingly aware that if their present economic policies fail, they will inevitably be drawn into closer economic dependence on the Soviet Union: this is unofficially known here as "the black alternative". They are fiercely determined to maintain their independence if they can, and it is this which leads them to attach great importance not only to their economic links with the West but also to the Non-Alligned Movement which remains one of the keystones of their foreign policy, You, Sir, gave Mrs Planinc a salutary reminder that the Movement often appears to be less Non-Aligned than we would wish, with particular reference to the unbalanced nature of the communique of this year's New Delhi Summit. This point was well taken, though Mrs Planinc claimed with some justification that Yugoslavia had exerted a useful influence in seeking to bring the movement back to the authentic principles of non-alignment after the Cuban chairmanship. I hope that your remarks will encourage them to persist in this direction, particularly as you accompanied them with a tribute to the useful role which the Non-Aligned Movement could play in a number of international crises - Yugoslavia's recent contacts with Iran, Iraq and in the Lebanon being a case in point. The Yugoslavs were also grateful to be told that we valued the cooperation between the Western and the neutral and non-aligned countries in the CSCE process and looked forward to continuing it at Stockholm: and they reminded you of their view that Ministers should attend the opening of the Stockholm conference to give it the necessary political momentum. They stressed the importance they attached to developing Balkan cooperation while making it clear that they took a healthily realistic view of the prospects for a nuclear-free zone in this part of Europe.
- 7. There was, as I have said, happily no need during the visit to dwell on bilateral problems outside the field of trade; and even here the remarkable success of Yugoslav exports to Britain in 1983 have greatly reduced the deficit of which the Yugoslavs customarily complain. I have heard since my return that Mrs Planinc very much took to heart the points made to her by the Secretary of State for Trade and Industry and the representatives of British firms whom she met about the need for Yugoslavia herself to make more energetic efforts to promote and market their products

in the British markets and to liberalise the legislation governing foreign investment in joint ventures with Yugoslav enterprises. It is possible that these points, having been made at the highest level, will begin to bear fruit. There are opportunities, even in present difficult conditions, for expanding our trade; and it is a happy omen that I was today, only a week after the visit, able to be present at the opening of the most modern electrolytic tinning plant in Europe, constructed by British industry, which will give Yugoslavia a promising new export potential. I look forward to the time when a more favourable economic climate, and a greater confidence on the part of British banks and credit institutions, will enable us to return to a more vigorous promotion of British trade in this market.

- 8. After two busy days in London, Mrs Planinc flew to Edinburgh where she had an opportunity to visit a small and successful high-technology factory which has profitable trading links with Yugoslavia in both directions, and to learn something from the Secretary of State for Scotland of the geographical and administrative diversity between the two main parts of the United Kingdom; small beer compared with the situation in this country, but I think a useful as well as enjoyable conclusion to her visit. This was also the only occasion when she and her husband, who accompanied her throughout the visit, were able to do some sightseeing together.
- 9. I should like, if I may, to express my thanks to the Prime Minister and you, Sir, and your Ministerial colleagues and officials for the warm welcome which you gave to the Yugo'slav visitors and for the time and trouble which you took to make their visit so successful. I am sure that these will pay dividends in our future relations. I should also like to pay a special tribute to Group Captain O'Neill and Colonel Worrall of the Government Hospitality Fund, who organised the visit with imperturbable efficiency and imagination. Visits of this kind are something the British do really well, and we all owe the Government Hospitality Fund a great deal for the smoothness and dignity of the arrangements.
- 10. I am sending copies of this despatch to the Private Secretary at 10, Downing Street; to the Chief Secretary of the Treasury, and the Secretary of State for Trade and Industry, and the Secretary of State for Scotland; to the Private Secretary to the Governor of the Bank of England; to Her Majesty's Ambassadors at Washington, Paris, Bonn, Moscow, Warsaw, East Berlin, Prague, Budapest, Bucharest and Sofia; and to the United Kingdom Representative on the North Atlantic Council.

I am, Sir, Yours faithfully,

K B A Scott



VISIT OF THE YUGOSLAV PRIME MINISTER TO BRITAIN, 15-18 NOVEMBER

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25 November 1983

The Rt Hon Sir Geoffrey Howe QC MP London

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I am, Sir,
Yours faithfully,

K B A Scott

CONFIDENTIAL



0915

VISIT OF THE PRESIDENT OF THE PEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Tuesday 15 November

Arrive RAF Northolt by special flight from Belgrade. Met by the Secretary of State for Foreign and 1600 Commonwealth Affairs, the Rt Hon Sir Geoffrey Howe MP.

Dinner hosted by the Secretary of State for Foreign and Commonwealth Affairs at 1 Carlton Gardens. 2000 for 2015

Wednesday 16 November

	the Rt Hon Peter Rees, QC, MP, at the Hyde Park Hotel.
1030	Wreath laying, Tomb of the Unknown Warrior, Westminster Abbey, followed by tour of Abbey.
1115-1210	Tete-a-tete talks with the Prime Minister, Rt Hon Margaret Thatcher, MP, at 10 Downing Street.
1210	Plenary talks.
1300-1440	Dunch honted by the Prime Minister at 10 Downing Street.
1445-1600	Talks with the Secretary of State for Foreign and Commonwealth Affairs at FCO.
1915 for 1945	Theatre party hosted by Mr Rifkind followed by supper

Talks with the Chief Secretary of the Treasury,

Thursday 17 November

	<u>그러나 하는데, 경영하다 있다면 하는데 보다는 것이 되었다. 그리고 있는데 하는데 하는데 하는데 하는데 하는데 하는데 하는데 하는데 하는데 하</u>
0900-1010	Meeting with CBI.
1025	Meeting with the Rt Hon Neil Kinnock, MP, Leader of the Opposition, at Palace of Westminster.
1105	Meeting with British Yugoslav Parliamentary Group.
1245 for 1315	Lunch at Mansion House hosted by the Rt Hon the Mayor of London.
1600-1700	Talks with the Secretary of State for Trade and Industry, Rt Hon Norman Tebbit MP, at DTI
Franing	Private engagements

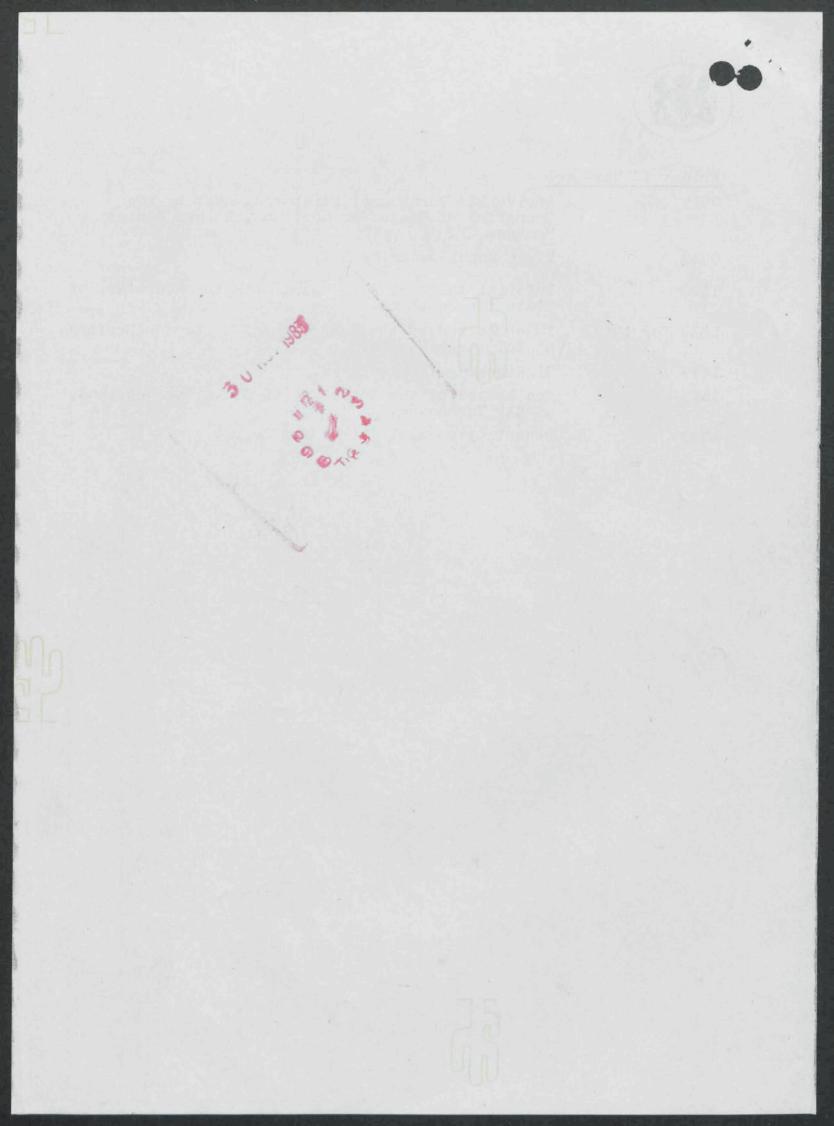
at Admiralty House.

/Friday 18 November



Friday 18 November

0915	Arrive RAF Turnhouse, Edinburgh. Met by the Secretary of State for Scotland, Rt Hon George Younger MP.
0940	Visit Racal Security Lt1
1120	Informal talks at Bute House with the Secretary of State for Scotland.
1230 for 1300	Lunch hosted by the Secretary of State for Scotland at Edinburgh Castle.
1440	Sightseeing in Edinburgh.
1615	Tea hosted by the Secretary of State for Scotland, at RAF Turnhouse.
1700	Depart by special flight for Zagreb



10 DOWNING STREET

From the Private Secretary

18 November 1983

de down,

Visit of the Prime Minister of Yugoslavia

I enclose a record of the plenary talks which took place here on 16 November.

I am copying this letter and enclosure to John Kerr (HM Treasury).

for wer fol Cola .

Roger Bone, Esq., Foreign and Commonwealth Office.

CONFIDENTIAL

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SUBJECT CONFIDENTIAL

RECORD OF TALKS BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF YUGOSLAVIA AT 1200 HOURS ON WEDNESDAY 16 NOVEMBER 1983 AT 10 DOWNING STREET

Present:

The Prime Minister

Sir Geoffrey Howe

Mr. Paul Channon

Sir J. Bullard

Mr. J.B. Unwin

Mr. K.B.A. Scott

Mr. B.G. Cartledge

Mr. A.J. Coles

Mr. J.A. Birch

Madame Milka Planinc

HE Dr. Dragi Stamenkovic, Yugoslav Ambassador

Mr. Zivorad Kovacevic, Member of the Federal Executive Council

Mr. Mirko Ostojic, Deputy Foreign Minister

Mr. Kadir Alijagic, Deputy Foreign Trade Minister

Mr. Dragoljub Kontic, Foreign Affairs Adviser

Mr. Vladislav Jovanovic, Ministry of Foreign Affairs

Mr. M. Stojanovic, Yugoslav Embassy

Interpreter

* * * * * * * * *

The Prime Minister welcomed Mrs. Planinc and gave a short account of their tete-a-tete talks, which had concentrated on East/West relations and economic problems. Mrs. Planinc said that she felt amongst friends and invited the Prime Minister to pay a return visit to Yugoslavia. She said that she would like to discuss the world economic crisis and North/South problems.

The Prime Minister said that the prospects of the world economy pulling out of its crisis were better. World oil prices had stabilised, despite earlier fears that there would be further price decreases causing disruption of world trade. The enormous international debt problem was a feature of world recession. The recovery

of the world economy would help the debtor nations. Britain had been active in helping such countries through the IMF, the Bank of International Settlements and the commercial banks. She admired Yugoslavia's efforts to bring its debt under control. The real origin of the world crisis had been the oil price increases of 1973/74 and of 1979 which drew purchasing power from the industrial countries and gave it to the oil producers in quantities they could not manage. The world economy was disrupted. Britain's philosophy was that a country which took steps to put its house in order deserved the help of the international community. Britain also wanted to increase its trade with developing countries. This was how they would prosper. Britain was determined to beat inflation so that there could be a return to sound and sustained growth.

Mrs. Planinc agreed with the analysis. Today's recession had a qualitative difference from the crisis of 1929 because of inter-dependence in the world economy. Yugoslavia had made great strides but it was still "a developing country in an advanced state". Its own experience showed how the economic shocks of the past decade had affected the developing world. Yugoslavia had reacted too slowly to the oil price rise. It had been hit even more severely by the rise in interest rates on the loans needed for economic development. Interest payments annually now exceeded \$2 billion. The practice of importing capital without ensuring that there were adequate export markets had brought Yugoslavia to its present position. In developing countries the situation was even worse. Many of them were borrowing for infrastructure projects which did not directly generate exports. Britain advocated a policy of free trade and it was important that developing countries should be able to participate.

The <u>Prime Minister</u> said there was a dangerous tendency by many countries to be protectionist. Once they started on that road, there was no end to it. It took time to turn round an economy and put in on a sound footing. Britain had taken some difficult steps over the past four years and only now were the fundamentals right.

/ High

High interest rates prevented investment. The Prime Minister had told the United States that their high interest rates were drawing investment funds and preventing recovery in Europe. She asked Mrs. Planinc to give an account of the economic recovery measures in Yugoslavia.

Mrs. Planinc said that the Yugoslav economy had developed rapidly but without becoming sufficiently export orientated. In the early days, foreign trade had been low and had concentrated on the easy markets in Eastern Europe. It had thus become a lazy economy without competition. Trade with the European Community and with the United States, to earn hard currency, was much more difficult. Yugoslavia would like better access to the European Community which would stimulate productivity and lead to joint ventures. It wanted not only to repay its debts but also to play a full part in the world economy. Over the past decade, Yugoslavia had taken annual credits equal to 10% of its GNP. This now had to be returned in much less favourable circumstances. Last year there had been a 10% fall in real incomes, with a total of 20% over the last three years. This was about as much as the population could stand. There would be minimal growth in 1983 but with a 20% increase of exports to the convertible currency areas. It was a major breakthrough. In 1982 the trade deficit had been \$1.4 billion. In 1983 it would be \$300 million and in 1984 there would be a surplus. Prime Minister commented that this was a striking achievement.

Mrs. Planinc said she did not want to be too optimistic about future trends. Fifteen governments were giving Yugoslavia financial assistance. She was particularly appreciative of the UK financial help, which had been quick and of high quality. Her Government intended to persevere with the same economic policy and hoped that in 1984 the same type of international assistance package would be available as in 1983, but at a lower level. Yugoslavia was not happy to have been a debtor country and was determined to be a responsible member of the world economic community.

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The <u>Prime Minister</u> thanked Mrs. Planinc. The talks had led to a much greater understanding of Yugoslavia's economic policy.

The meeting ended at 1300 hours.

A.t.C.

18 November 1983

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COVERING CONFIDENTIAL



Foreign and Commonwealth Office London SW1A 2AH

17 November 1983

Jer Jh.

Visit of the Prime Minister of Yugoslavia

I enclose a draft record of the Prime Minister's Plenary talks with Mrs Planinc.

(R B Bone)
Private Secretary

A J Coles Esq 10 Downing Street RECORD OF TALKS BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF YUGOSLAVIA AT 1200 HOURS ON WEDNESDAY 16 NOVEMBER 1983 AT 10 DOWNING STREET

Present:

The Prime Minister

Sir Geoffrey Howe

Mr Paul Channon

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- 1. The <u>Prime Minister</u> welcomed Mrs Planinc and gave a short account of their tete-a-tete talks, which had concentrated on East/West relations and economic problems.

 <u>Mrs Planinc</u> said that she felt amongst friends and invited the Prime Minister to pay a return visit to Yugoslavia. She said that she would like to discuss the world economic crisis and North/South problems.
- 2. The <u>Prime Minister</u> said that the prospects of the world economy pulling out of its crisis were better. World oil /prices

prices had stabilised, despite earlier fears that there would be further price decreases causing disruption of world trade. The enormous international debt problem was a new feature of world recession. The recovery of the world economy would help the debtor nations. Britain had been active in helping such countries through the IMF, the Bank of International Settlements and the commercial banks. She admired Yugoslavia's efforts to bring its debt under control. The real origin of the world crisis had been the oil price increases of 1973/74 and of 1979 which drew purchasing power from the industrial countries and gave it to the oil producers in quantities they could not manage. The world economy was disrupted. Britain's philosophy was that a country which took steps to put its house in order deserved the help of the international community. Britain also wanted to increase its trade with developing countries. This was how they would prosper. Britain was determined to beat inflation so that there could be a return to sound and sustained growth.

Mrs Planinc agreed with the analysis. Today's recession had a qualitative difference from the crisis of 1929 because of inter-dependence in the world economy. Yugoslavia had made great strides but it was still "a developing country in an advanced state". Its own experience showed how the economic shocks of the past decade had affected the developing world. Yugoslavia had reacted too slowly to the oil price rise. It had been hit even more severely by the rise in interest rates on the loans needed for economic development. Interest payments annually now exceeded \$2 billion. practice of importing capital without ensuring that there were adequate export markets had brought Yugoslavia to its present position. In developing countries the situation was even worse. Many of them were borrowing for infrastructure projects which did not directly generate exports. Britain advocated a policy of free trade and it was important that

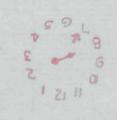
/developing

developing countries should be able to participate.

- 4. The <u>Prime Minister</u> said there was a dangerous tendency by many countries to be protectionist. Once they started on that road, there was no end to it. It took time to turn round an economy and put it on a sound footing. Britain had taken some difficult steps over the past four years and only now were the fundamentals right.
- 5. High interest rates prevented investment. The Prime Minister had told the United States that their high interest rates were drawing investment funds and preventing recovery in Europe. She asked Mrs Planinc to give an account of the economic recovery measures in Yugoslavia.
- 6. Mrs Planinc said that the Yugoslav economy had developed rapidly but without becoming sufficiently export orientated. In the early days, foreign trade had been low and had concentrated on the easy markets in Eastern Europe. It had thus become a lazy economy without competition. Trade with the European Community and with the United States, to earn hard currency, was much more difficult. Yugoslavia would like better access to the European Community which would stimulate productivity and lead to joint ventures. It wanted not only to repay its debts but also to play a full part in the world economy. Over the past decade, Yugoslavia had taken annual credits equal to 10% of its GNP. This now had to be returned in much less favourable circumstances. Last year there had been a 10% fall in real incomes, with a total of 20% over the last three years. This was about as much as the population could stand. There would be minimal growth in 1983 but with a 20% increase of exports to the convertible currency areas. It was a major breakthrough. In 1982 the trade deficit had been \$1.4 billion. In 1983 it would be \$300 million and in 1984 there would be a surplus.

The Prime Minister

- 8. The <u>Prime Minister</u> thanked Mrs Planinc. The talks had led to a much greater understanding of Yugoslavia's economic policy.
- 9. The meeting ended at 1 p.m.

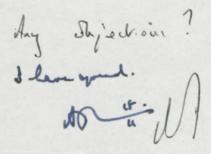


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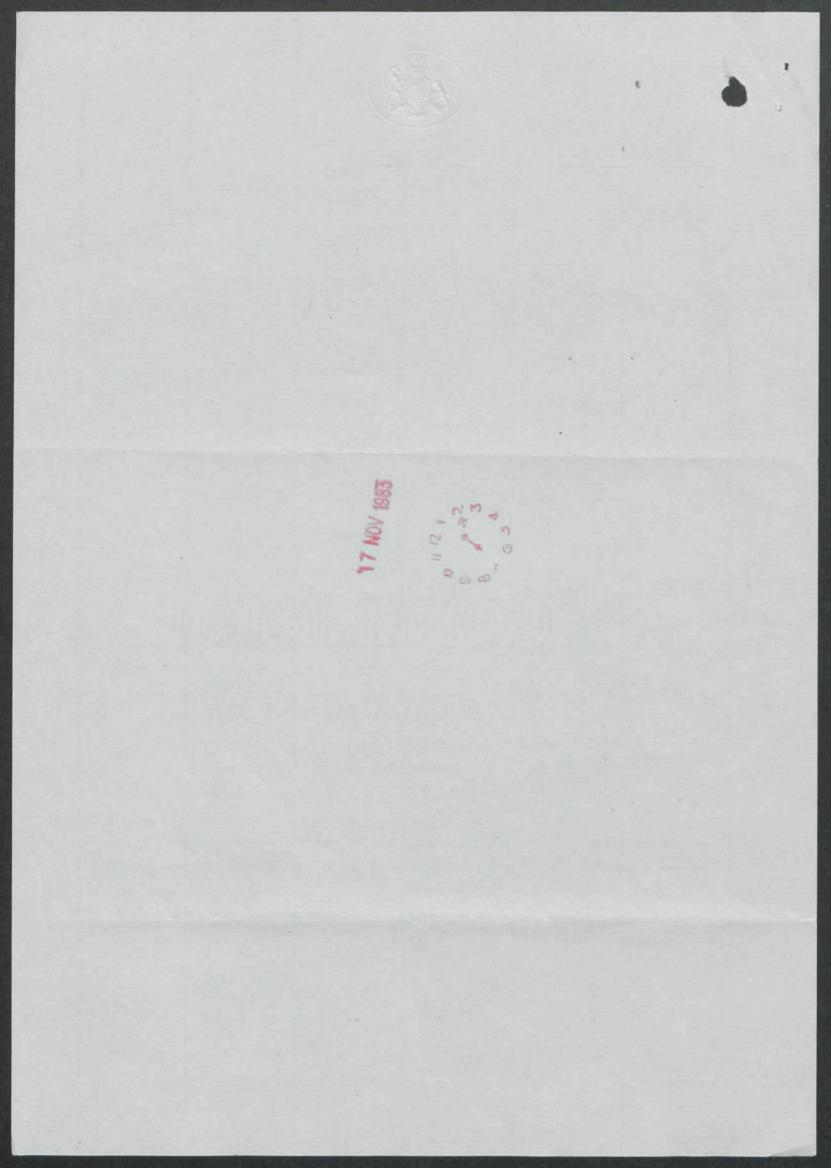


With the compliments of

THE PRIVATE SECRETARY



FOREIGN AND COMMONWEALTH OFFICE SW1A 2AH



go ve

MRS GOODCHILD

Interpreters

The Prime Minister has agreed that in future we should ensure that any interpreters who had to be used during a meal here, and who have not eaten before the meal, should be given food during the pre-meal drinks - and at that time they would be replaced by one or two interpreters who had already eaten. There will be no change to the system whereby interpreters sit behind those for whom they are interpreting at the meal table.

Could you please ensure that this system is followed in future.

ASC

17 November 1983

PRIME MINISTER

dy

Interpreters

I have made enquiries about food for the interpreters at today's lunch.

All except Mrs. Planinc's interpreter were given a sandwich meal before the lunch. Sandwiches were also offered to Mrs. Planinc's interpreter during the drinks session but she declined.

I well understand your concern that the interpreters should be properly looked after. But if we place an interpreter between you and your main guest we shall have one less outside guest at the main table. In addition, I am not sure that it is very easy for the interpreter both to interpret for two Prime Ministers and to eat a meal.

We could introduce a system whereby interpreters were automatically fed while the rest of the guests were having drinks before lunch. For the drinks session they would be replaced by one or two interpreters who had already eaten. Would you be content with this? Or do you want the main interpreter to be eating at your table?

A. J. C .

CONFIDENTIAL



Qu

10 DOWNING STREET

From the Private Secretary

16 November 1983

Visit of Yugoslav Prime Minister

I enclose a copy of the record of the tete-a-tete conversation between the Prime Minister and Mrs. Planinc which took place here today. A record of the plenary discussion will be circulated separately.

I also enclose copies of the speeches which were made at lunch.

I am copying this letter and enclosures to John Kerr (HM Treasury).



Roger Bone Esq Foreign and Commonwealth Office.

CONFIDENTIAL

WESTELL of master CONFIDENTIAL RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF YUGOSLAVIA AT 1115 HOURS on WEDNESDAY 16 NOVEMBER AT 10 DOWNING STREET Present: Mrs. Planinc Prime Minister Mr Kontic Mr Coles Interpreter Interpreter ******** The Prime Minister said that she was anxious to hear the views of Mrs. Planinc on the dominant world issues. When she had paid her official visit to Yugoslavia, which she had much enjoyed, the problem of Poland had just become acute. Now the times were even more troubled owing to the world economic recession and difficulties in East/West relations. Mrs. Planinc agreed that the meeting was taking place at a time when the world situation was disturbed. That made the meeting particularly valuable. The Prime Minister would always be a welcome guest in Yugoslavia and she hoped that a return visit would be paid before very long. The Prime Minister recalled that she had visited Yugoslavia for the first time when Tito was alive. The development of Yugoslavia in the post-war period had been one of the great stories of our time. We were watching with fascination the application of the new constitution. Mrs. Planinc said that for both internal and foreign policy reasons Yugoslavia had no alternative to a policy of independence and non-alignment. That policy alone guaranteed internal stability. Understandable anxiety had been expressed after Tito's death as to whether Yugoslavia could persevere on the path which he had mapped out. But both the leadership and the people of Yugoslavia believed that that path was the only one to follow. /She was CONFIDENTIAL

She was very concerned about the state of East/West relations, especially as she could not begin to see the beginnings of an improvement. Yugoslavia was committed to the preservation of peace. It believed in a dialogue between large and small countries on an equal footing. The great powershad particular responsibilities. It was desirable that the nuclear balance should be set at a lower level but unfortunately it now seemed to be proceeding to a higher level. All calculations showed that the world could be destroyed several times over by existing arsenals. race led nowhere but to evil. Yugoslavia wondered whether this was due to erroneous assessments of West and East. Since each side possessed sufficient weapons already, the explanation for the arms race must be political. If the West believed that it could exhaust the Soviet Union economically by an arms race, that was an illusion. All experience showed that the stronger the pressure on the Soviet Union from outside, the stronger were the internal forces pushing for flawless cohesion. Such democratic impulses as there were could have no effect in these circumstances. On the other hand, if the East had ever believed that Cruise and Pershing would not be deployed, that had also been an illusion.

The <u>Prime Minister</u> agreed that there was great mutual suspicion. The question was how it could be removed, Neither President Reagan nor Mr. Andropov knew the other's country. Each time we tried to start a closer dialogue, something occurred to upset it, whether it was the despatch of Cubans to Angola, the Soviet invasion of Afghanistan or the shooting down of the Korean aeroplane. But she believed that the latter event had now receded somewhat into the background and there must therefore be a fresh effort at dialogue. We would contribute to that.

/Mrs, Planinc

Mrs. Planinc said that it was precisely the mutual suspicion that caused Yugoslavia concern. If the problem of a lack of will for dialogue could be overcome, that would be a major achievement. The Prime Minister said that it was bound to be a slow process. She would be interested in Mrs. Planinc's assessment of the Soviet leadership. The Soviet system was very rigid and we did not believe it could change substantially. So we had to talk to whoever was in power. But we needed to build up to that through a long and slow process. It might be possible to send signals through Eastern European countries like Hungary that we were genuine in our desire to reduce armaments.

Mrs, Planinc said that the arms race had become a vigorous ideological war. If it continued, the dangers would multiply. History showed that although states had different systems they had a common interest in the survival of mankind. When a situation of peace and stability prevailed that favoured the forces in COMECON which sought reform. She was under no illusion that there could be major reforms but if the Soviet bloc felt threatened in any way, the political system became even more closed. If there could be no dialogue on a global scale, it was desirable to make efforts through smaller channels of the kind which the Prime Minister had mentioned.

In an atmosphere of confrontation great powers were tempted to involve themselves in all the focal points of crisis if they felt that their interests were engaged. She did not know Andropov personally but others who did so, mainly in Eastern Europe, took the view that his appointment was the best outcome of the leadership struggle. He was clearly ill but Yugoslavia had no special sources of information about his health because it did not have that kind of direct relationship with the Soviet Union.

/She had been

She had been pleased with her talks with Mr. Tikhonov during his visit to Belgrade. Yugoslavia had defended its own standpoint staunchly. But for the first time the Soviet side had not put in the forefront of discussion the differences between the two countries. They had spoken, rather, of long term co-operation. It was not possible to change Soviet policies but it was still possible to co-operate with the Soviet Union. Yugoslavia had developed with it an economic relationship which was balanced and to the interest of both sides.

If the world situation deteriorated further, the great powers might again seek to assess how their strategic interests were affected by the situation in Yugoslavia. She very much hoped that this could be avoided. She knew personally quite a number of Soviet leaders. TIkhonov was open-minded and easy to talk to.

The <u>Prime Minister</u> recalled that when travelling to Tokyo for the Economic Summit in 1979, she had had two hours of talks in Moscow with Kosygin. It was an unusually frank discussion. It was desirable to persuade Soviet leaders to visit the West. She had recently discussed with Mr. Trudeau the visit to Canada of Gorbachev. The latter had been disappointing in that he seemed to stick to the official line throughout.

We were earnestly seeking a reduction in our arms expenditure. But peace depended on the military balance, So disarmament had to be multilateral. The negotiations had tended to be conducted through public statements; it would be better if the activity was confined to the negotiating table. Mrs. Planinc entirely agreed. The Prime Minister stated that she was very concerned about the level of misunderstanding between East and West. We must try to break through this. We must not fail because of misunderstanding.

/The dialogue

The dialogue would be greatly helped if the Soviet Union were to give some indication of preparedness to withdraw from Afghanistan. Mrs. Planinc said that the Yugoslavs made this point directly to the Soviet Union. The latter argued that if other international issues were resolved they would withdraw. The Prime Minister commented that that was merely an excuse.

Mrs. Planing said that before the plenary talks began she wished to give the Prime Minister a frank assessment of the situation in Yugoslavia.

Yugoslavia wished to stay independent and non-aligned. The world needed the kind of Yugoslavia which it had now. There were no political problems but there was an economic crisis which had many causes. Yugoslavia's trade with the countries of Eastern European was very beneficial and amounted to \$10b. in volume at present. There was a mutual interest in increasing it. But there had been major disruptions in Yugoslavia's trade with the European Community, the United States and Japan. For the sake of Yugoslavia's destiny there had to be a balance in trade with the West, There was now a large deficit in trade both with the European Community as a whole and with its individual Member States. The past support of the 15 Western Governments had been very helpful in supporting the programme of stabilisation. Britain's help had been particularly appreciated. This support meant a great deal to Yugoslavia economically but its importance was primarily political. It showed that the countries concerned cared about Yugoslavia's position,

Yugoslavia would continue to need understanding. The economic situation at the end of this year was relatively satisfactory. But two more years would be necessary to surmount the most acute problems. Yugoslavia wished to

/refinance

refinance the obligations which would fall due next year. A rigid system for honouring obligations had been put in place. It was functioning well but was a very heavy burden. In due course economic problems could become a political problem for Yugoslavia. So she hoped for understanding when the request was made for financial support for next year. A level of support lower than for this year would be necessary. She would prefer bilateral support than resort to the Paris Club for the political reasons which she had already explained.

The <u>Prime Minister</u> said that Yugoslavia's independent status and prosperity were very important to us. We understood the politics of this. We further appreciated that Mrs. Planinc in particular was making strenuous efforts to get the economy right and that these efforts were meeting with a response.

The discussion ended at 1210.

A. J. C .

16 November 1983

CONFIDENTIAL

TOAST

by

Mrs. Milka Planinc, President of the Federal Executive Council at the lunch given by Mrs. Margaret Thatcher, Prime Minister of Great Britain

London, November 1983

Madam Prime Minister, Ladies and Gentlemen, Friends,

First of all, I wish to express my gratitude for the heartfelt hospitality accorded us and your appreciation for my country and its people.

We, Yugoslavs, have always felt at home in your midst which, by many of its characteristics, is close and dear to us. The peoples of our two countries have been bound by a firm adherence to the ideals of freedom and independence. The sincere friendship we forged as comrades-in-arms in two World Wars, and in World War II in particular, constitutes a stable and lasting basis of our co-operation in peace.

Different international positions and socio-economic systems have never been an obstacle to an all-out development of our relations and co-operation, based on mutual respect, independence and mutual benefit. This has a broader significance for the relations in Europe and the world, especially today when international relations are passing through an exceptionally grave period of mistrust, tension and conflicts.

The talks we had today have revealed a similarity of views on many key issues facing this turbulent world of ours, and a firm mutual resolve to promote bilateral co-operation in all areas in which common needs and possibilities exist.

It is with pleasure that I note that our relations and co-operation have been developing along a constantly ascending line. A considerable contribution to this has been made by your visit to my country, the first official visit of a British Prime Minister to Yugoslavia, which our people still hold in pleasant and lasting memory.

In addition to an intensification of political contacts and dialogue, our co-operation in the fields of industry and finance, culture and education, tourism and human contacts is also developing successfully. Your country's financial support to our programme of economic stabilisation this year contributed to the strengthening of our overall relations.

It is quite natural that such a diversified co-operation should be cherished and promoted in order to make our all-out relations even more stable and lasting.

Above all, it is necessary to increase our efforts in order to reduce the imbalance in our trade,

which would have a favourable impact on a more dynamic development of other forms of economic cooperation. It is encouraging that our trade has considerably improved this year, although the overall volume of exchange has diminished. Considering that a more balanced trade is in the mutual interest, we hope that further understanding will be shown for an increase in Yugoslav exports to the British market and that a more rapid progress will be made in the development of other types of economic links, in particular, joint ventures and co-operation on third markets.

Madam Prime Minister,

I have already said how much we are committed to the consolidation of peace, security and to the development of equitable co-operation in the world.

Unfortunately, the present international situation is very serious and does not provide much room for optimism. Almost all areas of international relations have been affected by a complex crisis, profound distrust and conflicts.

The key foci of tension and the most pressing international problems are not being solved; they are being exacerbated and dangerously complicated. Many channels of international communication have become paralysed, while the remaining rare dialogues and contacts bear no results.

The unbridled arms race, heedless rivalry of the great powers and blocs, the strengthening of positions and the expansion of spheres of influence, frequent use of force, foreign interference and military intervention, serious disruptions in the world economy and the deepening of the division of the world into rich and poor - sound a potent alarm that international relations are dangerously and speedily approaching uncontrollable maelstroms and dark crevices.

Despite all these unfavourable trends, we consider that the heading of the world towards a new cold or even "hot" war is not the only way out, and that it is possible and necessary to put an end to the further deterioration and to return the international

relations onto the track of reason, negotiation, indispensable trust and co-operation.

The non-aligned countries, as an independent and constructive factor of international relations, have shown at their Summit Conference in New Delhi the direction and offered a comprehensive programme for surmounting the general crisis in the world. International developments after that Conference and the ineffectiveness of one-sided approaches and partial measures in international relations have confirmed the correctness of the warnings of the non-aligned countries that comprehensive and just solution of major international problems with equal participation of all parties concerned, is the only right way for overcoming the present deep rifts and crises in the world.

The successful termination of the Madrid Meeting of the Conference on Security and Co-operation in Europe provides an example that political understanding between participants with opposing views is possible and useful; it is also an encouraging guidepost for resolving other pressing international issues, especially in Europe and around it, where the dark clouds of storm are gathering ever more.

It is therefore no exaggeration to say that it is imperative at this moment that the voice of reason should prevail over sabre-rattling, that arms race and preparations for dangerous confrontation should give way to constructive initiatives, understanding and co-operation.

That is why we attach great importance to the forthcoming Conference on security and confidence-building measures and disarmament in Stockholm. Well prepared and with the engagement of all participants, the Conference could mark a turning point in the development of the situation in Europe, which would undoubtedly have a favourable impact on the overall climate in international relations.

Madam Prime Minister,

By ever extending the bounds of our cooperation and strengthening mutual trust, our two countries are making an invaluable contribution to the stability of the relations in Europe and to the realisation of the goals and spirit of Helsinki.

I propose this toast to the health of Her Majesty Queen Elizabeth II, to your health, Madam Prime Minister, and to the health of all the guests, to an all-out progress of the friendly people of the United Kingdom and to the further strengthening and promotion of friendship and co-operation between our two countries.



LIST OF GUESTS ATTENDING THE LUNCHEON TO BE GIVEN BY THE PRIME MINISTER IN HONOUR OF HER EXCELLENCY THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA AND MONSIEUR ZVONIMIR PLANINC ON WEDNESDAY, 16 NOVEMBER 1983 AT 1.00 PM FOR 1.15 PM

The Prime Minister

Yugoslav Suite

Her Excellency Madame Milka Planinc and Monsieur Zvonimir Planinc

President of the Federal Executive Council of the Socialist Federal Republic of Yugoslavia

His Excellency Monsieur Zivorad Kovacevic Member of the Federal Executive Council

Monsieur Mirko Ostojić

Deputy Federal Secretary for Foreign Affairs

His Excellency the Yugoslav Ambassador and Mrs. Stamenkovic

Monsieur Kadir Alijagić

Deputy Federal Secretary for Foreign Trade

Monsieur Dragoljub Kontić

Foreign Affairs Adviser to the President of the Federal Executive Council

Monsieur Vladislav Jovanović

Director of West European Department, Federal Secretariat for Foreign Affairs

Monsieur Jovan Premeru

Chief of Protocol of the Federal Executive Council

Mr. Milutin Stojanovic

Minister-Counsellor, Yugoslav Embassy

Her Majesty's Government

Rt. Hon. Sir Geoffrey Howe, MP

Rt. Hon. Michael Heseltine, MP

Rt. Hon. George Younger, MP and Mrs. Younger

The Earl of Gowrie and Countess of Gowrie

Rt. Hon. Paul Channon, MP and Mrs. Channon

Labour Party

Rt. Hon. Neil Kinnock, MP

Conservative Party

Mr. Peter Fry, MP
and Mrs. Fry

Companies with Commercial Interests in Yugoslavia

Mr. John Harvey-Jones

Chairman, ICI. Annual business with Yugoslavia worth several million pounds. Joint venture with Borovo for Polyurethane (in Croatia) and Soda So for Polyurethane blending (Bosnia and Hercegovina)

Mr. Peter Jackson Chairman, Davy McKee (Poole) Ltd.
and Mrs. Jackson Undertaking large aluminium mill
modernisation programme in Croatia

Press

Sir Larry Lamb Editor, Daily Express and Lady Lamb

Ms. Hella Pick Guardian East European correspondent (included at Yugoslav Prime Minister's

request)

Cultural

Sir Andrew Huxley President of the Royal Society and Lady Huxley and Winner of Nobel Prize for Medicine (1963)

Mr. Malcolm Williamson

Master of The Queen's Musick.

Went to Skopje in March 1981
for performance of his 3 song
cycle 'Josip Broz Tito - a tribute

in Music'

Mr. Peter Wright
and Mrs. Wright

Took Sadlers Wells Ballet Co.
Took Sadlers Wells Ballet Co.
and orchestra to the Belgrade Music
Festival and a successful tour of
Skopje, Zagreb and Novi Sad in
October 1981

Others

Mr. Robin Leigh-Pemberton Governor of the Bank of England. and Mrs. Leigh-Pemberton Financial links with Yugoslavia

Sir Fitzroy Maclean President of the British Yugoslav and Lady Maclean Society. Close friend of President Tito

Sir John Burgh Director, British Council. Visit to Yugoslavia in October 1983

Mr. John Cooper Chairman of the Anglo-Yugoslav and Mrs. Cooper Trade Council

21

Officials

Sir Antony Acland and Lady Acland

Mr. K.B.A. Scott

10 Downing Street

Rt. Hon. Michael Alison, MP and Mrs. Alison

Mr. John Coles

HM Ambassador, Belgrade

TABLE A

ME MINISTER

HER EXCELLENCY MADAME MILKA PLANINC

Sir Fitzroy Maclean

Mrs. Channon

Mr. John Harvey-Jones

Lady Acland

Mr. Robin Leigh-Pemberton

His Excellency the Ambassador of the Socialist Federal Republic of Yugoslavia

TABLE B

RT. HON. SIR GEOFFREY HOWE MONSIEUR ZVONIMIR PLANINC The Countess of Gowrie Sir Andrew Huxley Mrs. Leigh-Pemberton Rt. Hon. Neil Kinnock Lady Maclean Monsieur Dragoljub Kontic

TABLE C

RT. HON. MICHAEL HESELTINE
His Excellency Zivorad Kovacevic
Lady Huxley
Mr. K.B.A. Scott
Mr. Peter Jackson
Lady Lamb
Sir Antony Acland
Monsieur Vladislav Jovanovic

TABLE D

RT. HON. GEORGE YOUNGER
Monsieur Mirko Ostojic
Mrs. Jackson
Sir Larry Lamb
Mrs. Alison
Mr. Malcolm Williamson
Mrs. Fry
Monsieur Jovan Premeru

TABLE E

MRS. YOUNGER
Monsieur Kadir Alijagic
Rt. Hon. Paul Channon
Ms. Hella Pick
Rt. Hon. Michael Alison
Mrs. Wright
Mr. John Cooper

TABLE F

THE EARL OF GOWRIE

Madame Stamenkovic

Sir John Burgh

Mrs. Cooper

Mr. Peter Fry

Mr. John Coles

Mr. Peter Wright

Monsieur Milutin Stojanovic

* Interpreters

SEATING PLAN FOR LUNCH ON WEDNESDAY, 16 NOVEMBER 1983

TABLE A

PRIME MINISTER

HER EXCELLENCY MADAME MILKA PLANINC

Sir Fitzroy Maclean

Mrs. Channon

Mr. John Harvey-Jones

Lady Acland

Mr. Robin Leigh-Pemberton

His kxcellency the Ambassador of the Socialist Federal Republic of Yugoslavia

TABLE B

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MONSIEUR ZVONIMIR PLANINC
The Countess of Gowrie
Sir Andrew Huxley
Mrs. Leigh-Pemberton
Mr. K.B.A. Scott
Lady Maclean
Monsieur Dragoljub Kontic

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His Excellency Zivorad Kovacevic
Lady Huxley
Mr. Peter Jackson
Lady Lamb
Sir Antony Acland
Monsieur Vladislav Jovanovic

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RT. HON. GEORGE YOUNGER
Monsieur Mirko Ostojic
Mrs. Jackson
Sir Lary Lamb
Mrs. Alison
Mr. Malcolm Williamson
Mrs. Fry
Monsieur Jovan Premeru

TABLE E

MRS. YOUNGER

* Monsieur Kadir Alijagic
Rt. Hon. Paul Channon
Ms. Hella Pick
Rt. Hon. Michael Alison
Mrs. Wright
Mr. John Cooper

TABLE F

THE EARL OF GOWRIE
Madame Stamenkovic
Sir John Burgh
Mrs. Cooper
Mr. Peter Fry
Mr. John Coles
Mr. Peter Wright
Monsigur Milutin Stojanovic

TOASTS

The Toasts for tomorrow's lunch will be:

THE QUEEN

THE PRESIDENT OF THE PRESIDENCY
OF THE SOCIALIST FEDERAL REPUBLIC OF
YUGOSLAVIA

Sue

15 November 1983



DEPARTMENT OF TRADE & INDUSTRY Overseas Trade Division 4/1B

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A C Coles Esq Private Secretary 10 Downing Street London SW1

Your reference

A. f. C. 1

Our reference

Date 15 November 83

Dear Coles

VISIT OF YUGOSLAV PRIME MINISTER

At the request of Robert Charlesworth in the FCO, I attach an extra brief on anti-dumping for the visit of Mrs Planinc. I understand that this was suggested by Mr Scott, the British Ambassador in Belgrade.

Your sneedy David Potter

D I POTTER



VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

ANTI-DUMPING

POINTS TO MAKE

1. (Defensive) If the subject is raised it can be explained that the European Commission has responsibility for taking antidumping action on behalf of Community industries which are being damaged by dumped or subsidised goods. Any problems should therefore be referred to the Commission. Commission investigations are conducted in accordance with the internationally agreed GATT rules for the preservation of fair trade.



VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

ANTI-DUMPING

ESSENTIAL FACTS

1. A brief summary of current, recently closed or potential EC anti-dumping cases against Yugoslav imports is given below: Current cases

Copper Sulphate (also from Czechoslovakia and USSR). A definitive anti-dumping duty was imposed on Yugoslav imports in March this year following a complaint from the Italian industry. The procedure was re-opened recently because of recurrence of dumping which is causing renewed injury. There are no imports into the UK from Yugoslavia.

Artificial Corundum (also from China, Spain and Czechoslovakia). This case was opened in September on behalf of the entire Community, including the UK, although not currently suffering from these imports.

Unwrought Aluminium (also from Egypt, USSR, Surinam and Norway). Opened in February against Yugoslavia - the investigation is continuing.

Cases recently closed

Ferrosilicon (also from Venezuela, Iceland, Norway and Sweden). This case was closed in March this year with the acceptance of price undertakings from all the importing countries. UK imports are minimal.

Caravans. This case was closed in August after the Commission had accepted price undertakings from the Yugoslavs.

Codeine(also from other Eastern European countries). Mainly a West German complaint which resulted in closure of the case without remedy.

Potential Case (IN CONFIDENCE)

Tyres. The EC tyre industry is preparing a case against imports of radial tyres from Eastern Europe, including Yugoslavia. The UK trade association is in the lead.

ITP4/DTI

15 November 1983

15 NOV 1983

Tête-à-tête

General

Recall visit to Yugoslavia in September 1980

Condolences on death of Mrs. Toma-Shayvich-Asnassan whom I then met

East/West relations

Andropov's health

Impressions of Soviet leadership

Need to avoid misunderstanding

Soviet occupation of Afghanistan major obstacle

Plenary



Arms control

Russian INF position unreasonable
They should continue to negotiate
UK strategic deterrent
US proposals for START
Stockholm Conference

Non-Aligned Movement

Hope moderates will recover ground under India

Better balance - cannot accept NAM stand on Falklands, failure to name Soviet Union over Afghanistan etc.

Is Cuba non-aligned?

Yugoslav Economy

Situation and prospects?

PRIME MINISTER

VISIT OF YUGOSLAV PRIME MINISTER

We shall have interpretation throughout so have had to set aside rather more time for talks than usual.

You begin with a thirty minute tête-à-tête plus notetakers. Then, seventy-five minutes of plenary.

I suggest that you discuss East/West relations during the tête-à-tête and then move on to plenary for discussion of arms control, the non-aligned movement and the Yugoslav economy. I attach two cards containing some suggested points.

Those attending plenary on our side will be:

Foreign and Commonwealth Secretary

Mr. Channon

Sir J. Bullard

Mr. Cartledge

Mr. Scott (our Ambassador)

Mr. Unwin (HM Treasury)

On the Yugoslav side Mrs. Planinc wants to be accompanied by the following:

Mr. Z. Kovacevic: Member of the Federal Executive Council

Mr. Mirko Ostojic: Deputy Federal Secretary for Foreign Affairs

Mr. D. Stamenkovic: Ambassador of the Socialist Federal Republic of Yugoslavia to UK

Mr. K. Alijagic: Deputy Federal Secretary for Foreign Trade

Mr. D. Kontic: Foreign Affairs Adviser to the President of the Federal Executive Council

Mr. V. Jovanovic: Director of the West European Department in the Federal Secretariat for Foreign Affairs

Mr. J. Premeru: Chief of Protocol of the Federal Executive Council

Mr. M. Stojanovic: Minister-Counsellor, Yugoslav Embassy

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& attack

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10 DOWNING STREET

From the Private Secretary

14 November 1983

Les leter,

Visit of Yugoslav Prime Minister

Thank you for your two letters of 11 November.

There is no objection to Mrs. Planinc being accompanied by an interpreter and note-taker during her tete-a-tete talks.

I agree with the list of those whom you propose should attend the plenary talks on our own side. I am sure that the Prime Minister would much appreciate it if Mr. Channon were available to support her on this occasion.

I am copying this letter to John Kerr (HM Treasury) and Jonathan Rees (Department of Trade and Industry).

you wer gle bles.

Peter Ricketts, Esq., Foreign and Commonwealth Office.

y

PRIME MINISTER TOP COPY WITH Visit of Yugoslav Prime Minister You said that you wanted to see the text of Mrs. Planinc's speech at lunch before approving your own. I am afraid that this will be difficult. She does not arrive until tomorrow evening. Even if her speech is ready, it will then have to be translated. And if you do not approve yours until overnight on Tuesday we shall have little time to translate yours the next morning. As you know, because of the language difficulty, we should like to have both the texts agreed, translated and made available to all your lunch guests so that they can follow the speeches without the need for translation. I do not suppose that Mrs. Planinc's speech will be at all controversial. We have asked her to confine her remarks to 5 minutes. Would you be prepared to approve the attached speech tonight? 14 November 1983

RESTRICTED (until 19 November 1983) VISIT OF HER EXCELLENCY THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA AND MONSIEUR ZVONIMIR PLANINC 15 TO 18 NOVEMBER 1983 ADMINISTRATIVE PLAN (to be read in conjunction with the programme) Tuesday 15 November Arrival The Rt Hon Sir Geoffrey Howe, Secretary of State for Foreign and Commonwealth Affairs will arrive at Northolt at 1540 hours. He will be met by Group Captain Tak orbarn, the Station Commander. When the Prime Minister's aircraft has landed the Station Commander will accompany the greeting party to the bottom of the aircraft steps. The Yugoslav Ambassador will board the aircraft and escort the Prime Minister and Monsieur Planinc to the tarmac where they will be welcomed by:-The Rt Hon Sir Geoffrey Howe QC, MP Secretary of State for Foreign and Commonwealth Affairs Madame Jelica Stamenkovic Mr K B A Scott Her Majesty's Ambassador at Belgrade Brigadier Alan Cowan Secretary, Government Hospitality Fund Group Captain TGR OSDSG, Station Commander, Northolt Group Captain Anthony O'Neill Escort Officer, Government Hospitality Fund The Prime Minister, accompanied by the Secretary of State will then move to the VIP lounge where the members of the offical suite will be introduced. Thereafter the members of the official suite will be escorted to their cars. Transport Cars are provided throughout the programme for all members of the official suite and seating plans for the journey into London and return are at Annex 1. The Escort Officers will allocate cars as necessary during the visit. Interpreters RESTRICTED STUAAG

Her Majesty's Government has engaged Mrs O Grahor as interpreter for the British side and it is understood that Mrs J Brajovic will interpret for the Yugoslav suite. Mrs N Smith has been engaged by HMG to interpret for Monsieur Planinc during the visit. Participation of the Official Suite in the Prime Minister's Programme All members of the official suite are invited to the dinner at 1 Carlton Gardens on 15 November; lunch at 10 Downing Street on 16 November and lunch at the Mansion House on 17 November. All members of the official suite will travel to Scotland. Wednesday 16 November Theatre Supper Party It is understood that the Prime Minister and Monsieur Planinc may not attend. Mr Rifkind will in any event act as host though Mrs Rifkind is now unable to be present. Guests will be notified by invitation card. Thursday 17 November Visit to the House of Commons The meeting with the British Yugoslav Parliamentary Group is due to conclude at approximately 1205 hours at which point the party may wish to return to the hotel before leaving for the Mansion House. However, members of the Parliamentary Group would be very happy to conduct members of the Official Suite on a short tour of the Palace of Westminster. Cloakroom facilities would be provided before leaving for the Mansion House at about 1250. Call on The Secretary of State for Trade and Industry His Excellency Monsieur Kovacevic, Monsieur Alijagic, Monsieur Stamenkovic, Monsieur Kontic, Monsieur Stojanovic and Monsieur Acimovic will also be present during this call. Call on the Chancellor of the Exchequer The appointment with the Chancellor listed in the programme has had to be cancelled. Details will be announced of any alternative appointment arranged. Friday 18 November RESTRICTED STUAAG

RESTRICTED Flights to Scotland

Group Captain Anthony O'Neill and a British Special Branch officer will travel with the Yugoslav suite in the Falcon leaving Northolt at 0805. Four members of the official suite together with Monsieur Stojanovic, Mr Scott, Mr Charlesworth and two British Interpreters will travel on flight BA 4712 leaving Heathrow at 0740 and arriving at Edinburgh at 0850. The party will be transported by car to RAF Turnhouse to meet the Falcon flight.

Visit to Racal

It will be necessary for the suite to divide into three groups for this visit. The following division is suggested:-

Group 1

Madame Planinc

Monsieur Alijagic

Monsieur Stamenkovic

Mr Scott

Interpreter

Group 2

Monsieur Planinc

Monsieur Kovacevic

Group Captain O'Neill

Monsieur Stojanovic

Interpreter

Group 3

Monsieur Ostojic

Monsieur Kontic

Monsieur Jovanovic

Monsieur Premeru

Mr Charlesworth

/Dr

RESTRICTED Dr Antic Interpreter Separate Programme for Monsieur Planinc Wednesday 16 November - HM Tower of London Monsieur Planinc will arrive at the West Gate at 0900 hours and then proceed to the Jewel House where he will be met by the Resident Governor and Keeper of the Jewel House, Major General G H Mills. After viewing the Crown Jewels refreshments will be provided in the Queen's House. Monsieur Planinc will rejoin the main party at Westminster Abbey. Thursday 17 November Monsieur Planinc will visit the South Bank arriving at the National Film Theatre, main entrance at 1000 hours where he will be met by the Controller of the National Film Theatre, Mr Leslie Hardcastle. After a short tour of the South Bank including the Festival Hall and National Theatre Monsieur Planinc will rejoin the rest of the suite before travelling to the Mansion House. Separate Programme for Monsieur Kovacevic and Monsieur Alijagic Wednesday 16 November Monsieur Kovacevic and Monsieur Alijagic accompanied by Colonel Worrall will call on the Governor of the Bank of England, Mr Leigh-Pemberton at 1630 hours. Access will be via the Bullion Entrance.

> B C Burrough Visits Section

Protocol Department

14 November 1983

RESTRICTED

ANNEX 1

His Excellency Monsieur Kovacevic Monsieur Ostojic Monsieur Alijagic

His Excellency Monsieur Stamenkovic Special Branch Officer
Special Branch Officer Inspector Rakic Inspector Hasani
Mr K Scott Monsieur Premeru Yugoslav Interpreter Group Captain O'Neill
Monsieur Planinc Madame Stamenkovic Colonel Worrall

Monsieur Kontic Monsieur Jovanovic Car 4

Car 3

RESTRICTED

DISTRIBUTION

10 Downing Street

Private Secretary (2) Press Office (2) Mr Joce (2)

Embassy of the Socialist Federal Republic of Yugoslavia (20)

House of Commons

Mr Colin Shephard MP (2)
Mr Kinnock's office (Miss Sue Nye) (2)

Department of Trade and Industry

PS/Mr Tebbit (2)

Treasury

PS/Chancellor (2)

Foreign and Commonwealth Office

Private Secretary (2)
PS/Mr Rifkind (2)
PS/PUS (2)
Sir Julian Bullard (1)
Mr Jenkins (1)
Mr Birch (1)
Eastern European Department (Mr Charlesworth) (6)
News Room (12)
Resident Clerk (1)
Miss Lothian (1)
Heads of Mission (1)
GHF (20)
Protocol (8)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC:

15-18 NOVEMBER 1983

Tuesday 15 November

1600 Arrive RAF Northolt by special flight from Belgrade.

Met by the Secretary of State for Foreign &

commonwealth Affairs, the Rt. Hon. Sir Geoffrey Howe, MP.

2000 for 2015 Dinner hosted by the Secretary of State for Foreign & Commonwealth Affairs at 1 Carlton Gardens.

Wednesday 16 November

1030 Wreath laying, Tomb of the Unknown Warrior, Westminster

Abbey, followed by tour of Abbey.

1115-1145 Tete-a-tete talks with the Prime Minister, Rt. Hon.

Margaret Thatcher, MP at 10 Downing Street.

1145-1300 Plenary talks.

1300-1440 Lunch hosted by the Prime Minister at 10 Downing Street.

1445-1600 Talks with the Secretary of State for Foreign & Commonwealth Affairs at FCO.

1915 for 1945 Theatre party hosted by Mr Rifkind followed by supper at Admiralty House.

Thursday 17 November

0900-1010 Meeting with CBI.

1025 Meeting with the Rt. Hon. Neil Kinnock, MP, Leader

of the Opposition at Palace of Westminster.

1105 Meeting with British Yugoslav Parliamentary Group.

1245 for 1315 Lunch at Mansion House hosted by the Rt. Hon. The

Mayor of London.

1600-1700 Talks with the Secretary of State for Trade and

Industry, Rt. Hon. Norman Tebbit MP, at DTI.

1715-1800 Talks with the Chancellor of the Exchequer, Rt. Hon.

Nigel Lawson MP, at Treasury.

Evening Private engagements.

Friday 18 November

O805 Depart RAF Northolt by special Yugoslav flight for Edinburgh.

/0915

0915	Arrive RAF Turnhouse, Edinburgh. Met by the Secretary of State for Scotland, Rt. Hon.
	George Younger MP.
0940	Visit Racal Security Ltd.
1120	Informal talks at Bute House with the Secretary of State for Scotland.
1230 for 1300	Lunch hosted by the Secretary of State for Scotland at Edinburgh Castle.
1440	Sightseeing in Edinburgh.
1615	Tea hosted by the Secretary of State for Scotland, at RAF Turnhouse.
1700	Depart by special flight for Zagreb.

RESTRICTED (Not to be taken abroad) SECURITY RULES FOR DELEGATES TO CONFERENCES AND VISITS OVERSEAS The Espionage Threat 1. It is not easy to express the full extent of the threat in a series of short rules. At need a fuller threat assessment will be provided. There are some basic facts which are listed below. 2. Wherever communist countries are represented the threat of espionage attack is high. A sizeable proportion of the staff of communist embassies can be expected to have an intelligence role. 3. The UK is likely to be high on the list of hostile intelligence service targets and at least one intelligence officer is probably tasked to report on British bilateral and multi-lateral interests. Technical Attacks 4. It must be assumed that any telephone circuit is insecure unless it is wholly under the control of the Mission. Except in an

- emergency, therefore, do not discuss classified information or personal matters on the telephone.
- 5. Hotel rooms and residences may well have permanent eavesdropping installations. They, together with restaurants, even cars and aircraft, are also vulnerable to semi-permanent or quick-plant eavesdropping devices.
- 6. With these points in mind, discuss, dictate and type classified subjects with care, and, for highly classified or sensitive subjects, preferably within designated areas of the Mission itself. The same applies to play-back of dictated tapes.

Document Security

- 7. Classified material must be transmitted by scheduled bag services, or by a documented casual courier in a sealed bag accompanied by a waybill.
- DS premises provide facilities for safe storage. Use them.
- 9. Exceptionally, safe storage facilities can be provided for Private Offices elsewhere. Use these facilities.
- 10. Waste paper is a valuable source of information; remember to collect all papers from conference tables; ensure that classified waste is destroyed under secure arrangements.

The Terrorist Threat

11. It is the responsibility of the host government to provide protective security arrangements. Comply with instructions given by the security authorities.

RESTRICTED

RESTRICTED

(Not to be taken abroad)

12. Take note of instructions about aircraft security, baggage checks etc.

General

- 13. Protective security measures applied in the UK must be maintained abroad.
- 14. Consult the Conference Officer (where there is one) or the Head of Chancery, about any queries on protective security arrangements.
- 15. Office passes should be left in a security container in the Office before departure.

16. These rules should be destroyed as classified waste.

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GSL YRS OM BUT TIC OR JWF 6 152 LV0 505/11 UU FCO RR PARIS ER WASHINGTON RS BONN RR UNDEL NATO RR UKDEL EEC AR UKDEL IMF/IBRD WASHINGTON GR 1140 CONFIDENTIAL FM BELGRADE 113840Z NOV 83 TO IMMEDIATE FCOOD TELNO 302 OF 11 NOVEMBER 1983 INFO ROUTINE PARIS, WASHINGTON , BONN, UKDEL NATO, UKDEL EEC, UKDEL IMF IBRD WASHINGTON VISIT OF THE YUGOSLAY PRIME MINISTER TO BRITAIN 15 18 NOVEMBER. 1. FOR YUGOSLAVIA, MRS PLANINC'S VISIT TO BRITAIN IS THE MOST IMPORTANT FOREIGN TRIP SHE WILL HAVE HADE SINCE SHE BECAME PRIME MINISTER IN MAY 1982. HER OBJECTIVES WILL BE: (A) TO SEEK A REAFFIRMATION OF SRITISH INTEREST IN THE MAINTENANCE OF YUGOSLAVIA'S INDEPENDENCE AND NON-ALIGNMENT, AND TO EXCHANGE VIEWS ON EAST-WEST RELATIONS AND OTHER MAJOR INTERNATIONAL ISSUES WITH THE PRIME MINISTER AND YOU: (B) TO EXPLAIN HER GOVERNMENT'S LONG-TERM PLANS FOR MAJOR REFORMS IN THE STRUCTURE OF THE YUGOSLAY ECONOMY AND THE INTERNAL POLITICAL PROBLEMS SHE FACES IN IMPLEMENTING THEM, AND TO SEEK AN EXPRESSION OF BRITISH POLITICAL SUPPORT FOR HER POLICIES: (C) DO DISCUSS THE NEED FOR WESTERN FINANCIAL ASSISTANCE IN MEETING YUGOSLAVIA'S DEBT SERVICING OBLIGATIONS FOR 1984, TO EXPLAIN HER GOVERNMENT'S OBJECTIONS TO A PARIS CLUB RESCHEDULING , AND TO SEEK BRITISH COOPERATION: (D) TO ASK FOR BRITISH HELP IN FACILITATING A FURTHER INCREASE TO YUGOSLAY EXPORTS TO BRITAIN AND THE COMMUNITY AS A WHOLE THEORIGH & RELAXATION. WHERE POSSIBLE, OF IMPORT RESTRICTIONS

TO YUGOSLAY EXPORTS TO BRITAIN AND THE COMMUNITY AS A WHOLE THROUGH A RELAXATION, WHERE POSSIBLE, OF IMPORT RESTRICTIONS AND BY OTHER MEANS.

FOREIGN POLICY QUESTIONS

2. HER PREDCCUPATION WITH THE ECOHOMY HAS LEFT MRS PLANING LITTLE TIME FOR PERSONAL INVOLVEMENT IN FOREIGN POLICY, BUT SHE WILL BE FULLY DRIEFED TO EXPRESS YUGOSLAVIA'S DEEP CONCERN ABOUT THE PRESENT STATE OF EAST-WEST RELATIONS. THE YUGOSLAVS SEE THE SOVIET UNION AS THE MAJOR THREAT TO THEIR INDEPENDENCE, AND FEAR THAT GROWING EAST-WEST TENSION MAY EVENTUALLY INCREASE SOVIET TEMPTATIONS TO MEDDLE IN THEIR AFFAIRS, PARTICULARLY IF INTERNAL POLITICAL TENSIONS AMONG THE CONSTITUENT REPUBLICS OF THE FEDERATION WERE TO OFFER THE RUSSIANS SOME ROOM FOR MANGEUVPE. THEY ARE ROBUST AND REALISTIC (AND PRETTY WELL INFORMED) IN THEIR ASSESSMENT OF THE SOVIET LEADERSHIP BUT THEIR VULNERABLE POSITION DELIGES THEM TO PRESERVE A FAIRLY EVEN-HANDED PUBLIC STANCE IN EAST-WEST RELATIONS. THEY ARE ALSO FRANKLY CRITICAL OF THE TONE-OF PRESIDENT REAGAN'S PUBLIC PRONOUNCEMENTS ABOUT THE SOVIET UNION WHICH THEY SEE AS BOUND TO INDUCE A DANGEROUS MOOD OF TRUCULENCE IN MOSCOW. THEY ARE WORRIED ABOUT THE RISK OF SUPER-POWER CONFRONTATION IN THE MIDDLE EAST, 14 PARTICULAR AS A RESULT OF THE AMERICANS BEING PROVOKED INTO DIRECT INTERVENTION. ON THIS AND OTHER THIRD-WORLD PROBLEMS (CENTRAL AMERICA, INDO-CHINA, NAMIBIA , ETC) THEY ARE MUCH INFLUENCED BY THEIR DEVOTION TO THE NON-ALIGNED MOVEMENT (NAM) AND THEIR CLOSE POLITICAL AND COMMERCIAL LINKS WITH COUNTRIES AND OTHER LEADERS OF THE THIRD WORLD. THEY HAVE CONSISTENTLY PLAYED A MODERATING ROLE IN THE NAM AND THE G77 AND, THOUGH THEIR INFLUENCE HAS INEVITABLY DECLINED SINCE TITO'S DEATH, THEY DESERVE ENCOURAGEMENT IN THIS FOLE.

YUGOSLAY ECONOMY

3. UNDER A SERIES OF INEFFECTUAL SOVERNMENTS DURING TITO'S LAST YEARS THE YUGOSLAV ECONOMY HAS GOT INTO A SERIOUS MESS, AND MRS PLANING AS THE FIRST POST-TITO PRIME MINISTER IS DOING HER BEST TO RESCUE IT WITH THE AID OF A RELATIVELY ABLE TEAM OF TECHNOCRAT MINISTERS. SHE HAS BUILT UP A REPUTATION AS A TOUGH AND COURAGEOUS POLITICIAN CAPABLE OF DEFENDING A COHERENT FEDERAL POLICY AGAINST BITTER RESISTANCE FROM REGIONAL VESTED INTERESTS AND HAS ACQUIRED A GOOD DEAL OF PERSONAL POPULARITY. SHE IS WELL AWARE OF THE CAUSES OF THE ECONOMIC CRISIS (DECENT-RALISATION OF ECONOMIC POWER UNDER THE 1974 CONSTITUTION, INEFFICIENT AND WASTEFUL OVERINVESTMENT, AND FRAGMENTATION OF INDUSTRIAL MANAGEMENT THROUGH THE SELF-MANAGEMENT SYSTEM LEADING TO LOW PRODUCTIVITY, LACK OF COORDINATION AND UNCONTROLLED WAGE AND PRICE INCREASES) AND IS FULLY COMMITTED TO THE BROAD PROGRAMME OF ECONOMIC "STABILISATION" SET OUT BY THE KRAJGHER COMMISSION TO CORRECT THESE FAULTS. BUT THOUGH THIS PROGRAMME HAS BEEN ENDORSED BY THE FEDERAL ASSEMBLY AND PARTY LEADERSHIP ITS IMPLEMENTATION IS BEING SERIOUSLY HAMPERED BY FIERCE OPPOSITION FROM SHIFTING COALITIONS OF REGIONAL INTERESTS AND THE GOVERNMENT SEEMS RECENTLY TO BE GETTING LESS THAN WHOLEHEARTED SUPPORT FROM THE PARTY AND STATE PRESIDENCIES IN WHICH THESE INTERESTS ARE STRONGLY REPRESENTED. IT WILL HELP MRS PLANING TO PUSH HER POLICIES THROUGH IF SHE CAN DEMONSTRATE THAT WITHOUT THEM YUGOSLAVIA

THROUGH IF SHE CAN DEMONSTRATE THAT WITHOUT THEM YUGOSLAVIA RISKS LOSING THE POLITICAL AND ECONOMIC SUPPORT FROM THE WEST ON WHICH ITS INDEPENDENCE AND SURVIVAL DEPEND.

BALANCE OF PAYMENTS

4. THERE HAS BEEN A MARKED IMPROVEMENT IN EXPORTS TO THE CONVERTIBLE AREA IN 1983. THIS IS LARGELY DUE TO A MASSIVE DEVALUATION OF THE DIMAR BUT ALSO TO A DELIBERATE POLICY OF URIENTING YUGOSLAY INDUSTRY TOWARDS EXPORT MARKETS, AND THERE IS THEREFORE A REASONABLE CHANCE THAT THE TREND CAN CONTINUE. IMPORTS DROPPED SHARPLY THIS YEAR, LEADING TO STAGNATION IN PHODUCTION AND SEVERE SHURTAGES OF SOME COMMODITIES. THEY ARE BOUND TO RISE IN 1984, BUT YUGOSLAVIA MAY NEVERTHELESS ACHIEVE A SURPLUS ON CURTENT ACCOUNT BY THE END OF 1984 AFTER A DEFICIT OF US DOLLARS 1.4 BILLION IN 1932 - A CONSIDERABLE ACHIEVEMENT WON AT THE EXPENSE OF A SERIOUS FALL IN THE STANDARD OF LIVING. NONETHELESS DEET SERVICING OBLIGATIONS IN AT LEAST THE NEXT TWO YEARD CANNOT BE NET WITHOUT INTERNATIONAL HELP, AND THE YUGOSLAVS ARE DETERMANED TO PAY THEIR DELTS. THEY ARE HOWEVER EQUALLY DETERMINED TO AVOID A GENERAL RESIDENCE OF THE OPERATION . WHICH THEY NOULD SEE AS A SIGN OF LAUK OF WESTERN CONFIDENCE AND AS A POLITICAL REBUFF AND WHICH WOULD THEREFORE ALMOST CERTAINLY LEAD TO THE RESIGNATION OF CRS PLANING'S GOVERNMENT. THEY REALISE THAT ANY 1984 ASSISTANCE PROGRAMME WILL NEED TO CONTAIN A LARGE ELEMENT OF REFINANCING, BUT WILL HOPE FOR A SYMPATHETIC RESPONSE TO THEIR REQUIREMENT, ENDORSED BY THE IMF, FOR SOME NEW CREDITS TO ENABLE THEM TO RESTRUCTURE INDUSTRY ON MORE PRODUCTIVE LIVES AND TO STRENGTHEN THEIR RESERVES.

TRADE

S. YUGOSLAV EXPORTS TO BRITAIN AND OTHER EC COUNTRIES HAVE DONE WELL THIS YEAR BUT THERE ARE STILL SUBSTANTIAL TRADE DEFICITS AND MRS PLANING WILL NO DOUBT PLEAD FOR AN EASING OF TRADE RESTRICTIONS. SHE IS HOWEVER WELL AWARA THAT THE MAIN REQUIREMENT IS FOR GREATER YUGOSLAV EFFORTS AT MARKETING THEIR EXPORTS, AND UNDERSTANDS THE NEED FOR COMMUNITY COUNTRIES TO PROTECT SENSITIVE INDUSTRIES. SHE WILL I THINK BE CONTENT WITH A SYMPATHETIC HEARING.

PERSUNAL

6. A SMALL, NEAT WOMAN WITH AN AIR OF QUIET AUTHORITY, MRS
PLANING HAS A REFRESHINGLY CLEAR AND DIRECT MANNER AND AVOIDS
THE CLUMSY AND POMPOUS JARGON SO COMMON IN GOVERNMENT LEADERS.
SHE WORKS LONG HOURS, AND THE YUGOSLAV SYSTEM REQUIRES HER TO
SPEND AN INORDINATE AMOUNT OF TIME IN CONSULTATION AND PERSUASION
AT MEETINGS OF THE ASSEMBLY AND NUMEROUS INTER-REPUBLICAN
COMMITTEES. BATTLING FOR HER POLICIES IN THESE CONDITIONS HAS BEEN
A TIRING BUSINESS BUT SHE STILL MANAGES TO LOOK FRESH AND WITH
LUCK WILL KEEP GOING FOR THE REST OF HER FOUR-YEAR TERM.



SECURITY BRIEF FOR PRIME MINISTER'S VISIT TO NEW DELHI FOR THE COMMONWEALTH HEADS OF GOVERNMENT MEETING 23-30 NOVEMBER 1983

- 1. There is no intelligence to suggest that there is a specific threat against the Prime Minister, or her party, on this trip.
- 2. It is considered that the general threat to British interests worldwide made earlier this year by the Armenian group ASALA, and the Palestinian group Abu Nidhal still exist. However neither group has been active in India and it is unlikely that either group would mount a terrorist act against the Prime Minister.
- 3. The aspirations of the Sikh community has resulted in violence. Although these activities are largely confined to the Punjab, the Prime Minister's presence in New Delhi could attract the attention of the Sikhs. Anand Marg, the Indian sect which carried out a worldwide campaign of violence in 1977-78, has not been responsible for any terrorist act (except two internecine murders) since 1979.
- 4. We have no information about Irish Republican support organisations but do not envisage a threat from this quarter.
- 5. Information on the threats of violence or demonstrations which are not directed specifically against British targets will be provided by the High Commission on arrival. However the Indian Security authorities have proved effective in dealing with such demonstrations.
- 6. All major Communist countries maintain missions in New Delhi. The Soviet Embassy is the largest and most active, a number of known or suspected intelligence officers have been identified. The espionage threat is high. Care should therefore be taken to avoid eavesdropping on sensitive discussions.
- 7. A copy of the Security Rules for Visits Overseas is attached.

SECURITY DEPARTMENT 27 October 1983

Foreign and Commonwealth Office London SW1A 2AH 11 November, 1983 A. J. C. 15 Dea John Visit of the Yugoslav Prime Minister Thank you for your letter of 11 November. We have advised the Yugoslavs that Mrs Planinc's speech at the Prime Minister's lunch on 16 November should last about 4/5 minutes and have asked for a sight of her text as soon as possible. But the text is in practice most unlikely to be available until Mrs Planinc's party arrive on the evening of 15 November (and will also have to be translated). I fear this will not leave much time for the Prime Minister to see the text before approving her own speech, but we will of course do our best. The ever (R B Bone) pp. Private Secretary A J Coles Esq 10 Downing Street

Jugoslaw All on 810 15/11 COVERING CONFIDENTIAL Foreign and Commonwealth Office London SW1A 2AH 11 November, 1983 A. J. C. T Dea John, Visit of Yugoslav Prime Minister I enclose briefing (3 sets) for the visit of Mrs Milka Planinc, President of the Federal Executive Council (Prime Minister) of Yugoslavia whom the Prime Minister will be meeting on Wednesday 16 November, and 3 (advance) copies of HM Ambassador Belgrade's scene-setting telegram.

pp.

(R B Bone)

Private Secretary

A J Coles Esq 10 Downing Street VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BRIEF NO

SUBJECT

Brief No 1

Steering Brief with

Annexes on:

- (a) Yugoslav internal situation
- (b) Yugoslav foreign policy
- (c) Yugoslavia economic situation
- (d) Country Assessment Paper with updated Statistical Annex
- (e) Personality notes

Brief No 2 Yugoslavia in the Non-Aligned Movement (NAM) including the Falklands)

Brief No 3 East/West Relations (including Afghanistan, Poland, and East/West economic matters)

Brief No 4 Southern Africa/Namibia

Brief No 5 Indo-China

Brief No 6 Arab/Israel and Lebanon

Brief No 7 Iran/Iraq

Brief No 8 Arms Control and Disarmament (including INF and CSCE/CDE)

Brief No 9 Bilateral Defence Cooperation

Brief No 10 Relations between developing and developed countries

Brief No 11 Baikan Affairs

Brief No 12 Ec-Yugoslav Relations

Brief No 13 Bilateral Questions

- (a) Political relations
- (b) Commercial relations
- (c) Financial and economic relations
- (d) Cultural relations

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Steering Brief

- Towards the end of 1982 Yugoslavia's economic problems reached crisis point. A Western assistance package including contributions by 15 governments averted the need for a rescheduling of Yugoslavia's foreign debt. The UK's contribution was particularly effective. The Yugoslav leadership is making genuine efforts to stabilise the economy and implement market-oriented reforms but further help from the IMF and Governments will remain necessary for the next few years. The Yugoslav system of socialist self management and the direct devolution of power to the Republics and Provinces is proving a major obstacle to the implementation of a coherent economic programme. The system of rotating leadership introduced after Tito's death makes it difficult for central Government to take a firm lead. Wide variations in development between the richer north and the poor south have increased nationalist tensions, though the situation in Kosovo (recently the focus of irredentist unrest by the Albanian majority) has improved. Yugoslavia's main foreign policy aims continue to be to distance itself from the Soviet Union, to avoid becoming dependent on either East or West and to play a leading role in the Non-Aligned Movement.
- 2. Mrs Planinc's visit will provide an opportunity for us to demonstrate continued Western interest and support for a stable, independent and non-aligned Yugoslavia. In protocol terms, the present visit returns that paid to Yugoslavia by the Prime Minister in September 1980, the first official visit by a British Prime Minister to Yugoslavia (the Prime Minister also attended Tito's funeral in May 1980). An invitation to visit the UK was extended by the Prime Minister to the then President of the Federal Executive Council and repeated to Mrs Planinc when she took office in May 1982.

OBJECTIVES

- 3. Our main objectives are:
 - (a) To maintain the impetus to Anglo-Yugoslav relations given by the Prime Minister's visit to Yugoslavia in 1980, by the Yugoslav Foreign Minister's visit in June 1981 and by the Secretary of State's visit in 1982;
 - (b) To stress the importance we attach to Yugoslavia's independence and non-alignment;
 - (c) To exchange views with Mrs Planinc on international questions where Yugoslavia's position between East and West, and in the Non-Aligned Movement, makes it a useful interlocutor;
 - (d) To stress our willingness to continue to be helpful to Yugoslavia in its economic difficulties, but to dispel any Yugoslav expectations that multilateral assistance of a similar quality and scale to the 1983 package can be available in 1984.

Yugoslav objectives are likely to be:

- (a) To maintain the exchange of high level discussions with the UK;
- (b) To demonstrate the standing of Yugoslavia in the eyes of an important Western government;
- (c) To seek our support for their economic objectives, including further Western assistance in 1984 involving some export

credit, help for Yugoslav export drive and more preferential treatment by the European Community;

- (d) To influence us on certain key international issues, particularly East-West and relations with developing countries, which the Yugoslavs consider central to their foreign policy;
- (e) To air their continuing dissatisfaction at the bilateral trading imbalance with the UK.

PROGRAMME

4. An outline of Mrs Planinc's programme is attached to the inside cover of this folder. The programme provides for a full session of talks with the Prime Minister on 16 November. Mrs Planinc will also have talks with the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry. The lunch hosted by the Prime Minister on 16 November and the dinner hosted by the Secretary of State on 15 November will provide further opportunities for discussion. Mrs Planinc will travel to Scotland on 18 November where she will be the guest of the Secretary of State for Scotland.

AGENDA

5. Talks with the Prime Minister.

Mrs Planinc does not speak English and there will be full interpretation throughout, thus curtailing the time available for substantive discussion. Subject to the Prime Minister's views the formal talks could provide an opportunity for discussion on the following topics:

- (i) Yugoslavia's economic outlook;
- (ii) The British domestic economic scene.
- (iii) East-West relations;
- (iv) Arms control and disarmament;

HM Embassy Belgrade has reported that Mrs Planinc hopes to be able to discuss these topics with the Prime Minister.

Talks with the Secretary of State

- 6. We have agreed with the Yugoslavs that a suitable agenda for the talks with the Secretary of State might be:
 - (a) Brief tour d'horizon following up any points on East-West relations or on arms control and disarmament which have not been fully discussed during the Prime Minister's talks;
 - (b) Major international issues of immediate interest (eg. Lebanon, Iran/Iraq);
 - (c) Bilateral questions;

Talks with the Chancellor of Exchequer

- 7. At the talks with the Chancellor of the Exchequer Mrs Planinc is likely to wish to discuss:
 - (a) The world financial situation;
 - (b) Bilateral economic and financial relations.

Talks with the Secretary of State for Trade and Industry

- 8. At the talks with the Secretary of State for Trade and Industry Mrs Planinc may wish to discuss:
 - (a) East-West economic relations;
 - (b) Bilateral trade.

The Yugoslavs will wish to make a great deal of the persistent imbalance in our favour in bilateral trade.

Meeting with Secretary of State for Scotland

9. Mrs Planinc, who comes from Croatia, may express interest in the constitutional position of Scotland within the UK. She may also be interested in making comparisons between regional government here and the highly devolved system of Federal Government in Yugoslavia.

COMMUNIQUE

10. It has been agreed with the Yugoslavs that there should be no communiqué or joint statement. The Press Office at No 10 Downing Street will be responsible for any press briefings.

GIFTS

11. It has been agreed with the Yugoslavs that there will be no exchanges of gifts.

SUMMARY OF BRIEFS

<u>Brief No 1</u> Steering Brief - with Annexes on Yugoslav political and economic situation, Yugoslav foreign policy and personality notes.

Brief No 2 Yugoslavia in the Non-Aligned Movement.
Yugoslavia is a force for moderation in the Non-Aligned
Movement, and needs to be reminded that there are many
aspects of the NAM which Western Governments find
distasteful.

Brief No 3 East/West Relations. UK and Yugoslavia's common interest in stable East/West relations. Present difficulties only reconfirm need for maintaining realistic dialogue, both to create common areas of understanding and to avoid misunderstanding. Yugoslav views on present situation in Soviet Union (including Andropov's future) will be of interest.

Brief No 4 Southern Africa/Namibia. Our response to the constitutional changes in South Africa has been cautious. We are concerned at South Africa's policies towards its neighbours and anxious to moderate these. On Namibia, we are determined to secure implementation of the UN Plan, but patience is necessary.

Brief No 5 Indo-China. No early end to the Cambodian stalemate and the tragedy of refugees. Share Yugoslavia's view on ingredients for a settlement, and opinion at the UN remains firm. But Vietnam still obdurate and no sign of pressure from the Soviet Union to compromise or withdraw.

Brief No 6 Lebanon and Arab/Israel. To discuss progress in the reconciliation talks and reaffirm value of MNF. To deplore violence in Northern Lebanon and express concern at stalemate in Arab/Israel peace process.

Brief No 7 Iran/Iraq War. The military stalemate continues. No independent confirmation that the Iraqis have taken delivery of the 5 French Super-Etendard aircraft equipped with Exocet. Iraqi use of these aircraft against shipping in the Gulf could widen and escalate the conflict, and disrupt oil supplies to the West.

Brief No 8 Arms Control and Disarmament. Yugoslavs will be interested to hear UK views on disarmament, particularly on INF where they have obvious security interests, and also in their capacity as a leader of the disarmament group within the Non-Aligned Movement.

Brief No 9 Bilateral Defence Cooperation. UK wish to see increased cooperation and further defence contracts with Yugoslavia despite problems over offset arrangements.

Brief No 10 Relations between developing and developed countries. Developing countries must take advantage of world economic recovery as it proceeds. UNCTAD VI made some modest but useful progress with the help of the Yugoslav Conference President. We remain active in international efforts to help deal with the developing countries' economic problems.

Brief No 11 Balkan Affairs. Yugoslavia's relations with her neighbours; Albania and UK/Albanian relations; Balkan cooperation; doubts about value of Balkan Nuclear Weapon Free Zone.

Brief No 12 EC/Yugoslavia. Attach political importance to EC/Yugoslav relations; wish to avoid restrictions on mutual trade. Undertake to consider without comment any Yugoslav requests for further preferential treatment.

Brief No 13(a) Political Relations. Value regular high-level exchanges with Yugoslavia. We will not condone terrorism but we cannot act to prevent the lawful activities of emigre groups in the UK. Should not allow the Djilas asylum case to affect political relations.

Brief No 13(b) Commercial Relations. Yugoslav exports to the UK have shown a marked improvement in recent months.

New legislation to guarantee payment by the Yugoslav

National Bank of foreign debts is resulting in clearance of some of the debt owed to small and medium-sized UK firms. Good record of UK industrial co-operation on projects in Yugoslavia eg Davy McKee at the Zorka tinplate plant. Anglo-Yugoslav Trade Council expected to meet in Belgrade early next month.

Brief No 13(c) Financial and Economic Relations. To assure Yugoslavia of our continuing support in their economic difficulty and of our readiness to contribute to further multilateral assistance without entering into specific commitment about the availability of new UK credit.

Brief No 13(d) Cultural Relations. Our longstanding cultural links with Yugoslavia work well.

Brief No 1(a)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Yugoslav Internal Political Situation

- Yugoslavia has been passing through a testing period since the death of President Tito in May 1980. The country has had to implement, in the absence of Tito's unifying influence, a constitutional system which he devised and which balances Republican and Provincial interests against the need for an effective central government. At the same time the country is having to come to terms with a grave economic crisis. As part of his legacy, Tito left a complex arrangement for a collective leadership of the State and Party and for the annual or biennial rotation of all the key posts in fixed order to ensure an equal distribution among Yugoslavia's 6 Republics and 2 autonomous Provinces. unique system of collective leadership has been accepted as the most appropriate for a multi-national society in which sensitivity to past inter-communal conflict remains acute. It is designed to avoid divisive competition for the top positions and the domination of the country by one Republic or person. Its principal disadvantage is that decision-making is hampered by the lack of an ultimate arbiter in the many contradictions of a system which combines a Federal structure and one party rule with highly devolved economic and political power.
- 2. The current President of the Federal Presidency of the Socialist Federal Republic of Yugoslavia is Mr Mika Spiljak (Shpeelyak), who took office in May 1983. He represents Croatia as does the President of the Federal Executive Council (Prime Minister) Mrs Milka Planinc.

- Although Yugoslavia is a one party state the average Yugoslav does not identify himself with those living under the orthodox communist regimes of Eastern Europe. Yugoslavs are free to practice their religion (though the practice of religion is incompatible with Party Membership and can therefore prove a bar to a successful career); they are free to travel abroad (indeed remittances of foreign currency from Yugoslav workers living in Western Europe are a major potential source of foreign exchange for Yugoslavia); there is a lively and reasonably free press and political debate is encouraged within certain limitations. There are nevertheless individuals who suffer for their beliefs. Those who attempt to challenge the constitutional system, to oppose the role of the Party in Yugoslav society or to stir up 'nationalism' are dealt with severely. Some of these dissidents attract attention abroad. It is however, significant that individuals such as Milovan Djilas, a former intimate of Tito who is now a stern critic of the system, manage to live relatively free lives inside the country.
- The principal internal tensions in Yugoslav society derive from historical rivalries between the various ethnic groups which make up the Federation and from fears by minority groups that centralised government in Belgrade would ultimately lead to the re-establishment of Serbian domination. The situation in Kosovo, (the ethnically largely Albanian Province in Southern Yugoslavia which witnessed a series of violent demonstrations in 1981 and 1982 demanding that the Province should be granted the status of a full Republic within the Federation) appears quieter of late. Tension and discontent nevertheless remain and the calm imposed by a strong security force has been frequently disturbed. The Slav minority in the Province has felt increasingly insecure and there has been significant emigration of Slavs from Kosovo to areas where Serbs and Montenegrins are in a majority.

5. The economic crisis currently facing Yugoslavia has precipitated debate about the role of the various elements of the Yugoslav 'system' in coping with it. The Party (the League of Communists of Yugoslavia) is having difficulty, because of its highly devolved and federalised nature, in giving political and theoretical legitimacy to the various economic reforms which need to be carried out quickly. The Federal Government has similar difficulty in taking a firm lead in introducing and implementing realistic economic policies because of the constitutional requirement to encourage devolved economic self-management and avoid centralism. Nevertheless there is awareness of the problems and the Government and Party have made genuine efforts to solve them.

Eastern European Department 9 November 1983

Brief No 1(b)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Yugoslav Foreign Policy

- 1. Yugoslavia's foreign policy is preoccupied by the need to maintain independence from both East and West. To this end the Yugoslavs maintain a balance in their relations with the Soviet Union and East European communist states on the one hand and Western nations on the other and vigorously pursue their guiding principle of non-alignment in all aspects of their external relations. Yugoslavia is a founder member of the Non-Aligned Movement.
- Yugoslavia's relations with the Soviet Union are no more than correct. There have been few high level exchanges in recent years. The Soviet Union no doubt realises that to exert overt political or military pressure on Yugoslavia would reinforce Yugoslav unity and could provoke a major East/West confrontation. Yugoslavia's relations with the rest of the Eastern Bloc and particularly with Romania and Hungary are warmer. The Yugoslavs have been cautious over developments in Poland. Continuing suspicions about supposed Bulgarian territorial pretentions towards Yugoslav Macedonia have hampered the development of normal relations between the two countries except on a limited commercial basis. Relations with Albania are soured by what the Yugoslavs see as Albanian intereference in the internal affairs of Yugoslavia by support for the Albanian nationalists in Kosovo.

Eastern European Department 9 November 1983 VVVAAP

Brief No 1(c)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

YUGOSLAV ECONOMIC SITUATION

- 1. Yugoslavia's most immediate worry is its economy. High investment and domestic demand during the 1970s coupled with low productivity and uneconomic wage levels created a serious debt burden and balance of payments problem. Current debt to the West is around \$19bn with annual debt service obligations of over \$5bn.
- 2. Stabilisation measures were delayed by Tito's prolonged final illness but in 1981 a 3 year standby arrangement began with the IMF. In the same year the Kraigher Commission was set up to develop a longer term programme of reform.
- Adjustment has however continued to be weak and slow. At the level of general planning, the authorities have secured acceptance of the recommendations of the Kraigher Commission which provide for wide-ranging market oriented reform; one such measure - the duty law on foreign currency payments - has so far been implemented. As regards stabilisation, austerity measures are in place. Wages have been held down and real living standards have dropped sharply. But the authorities are still unable to achieve the two basic objectives of reducing domestic price inflation and reaching a viable balance of payments position. Inflation is over 40% and rising. The convertible current account deficit has been reduced from \$3.7bn in 1979 to an expected \$0.5bn this year, yet progress has been insufficient to restore creditworthiness and enable financing requirements to be met by spontaneous credt flows

from the markets. This year Yugoslavia was able to avoid a general rescheduling only as a result of a \$5bn assistance package from Western Government, banks and financial institutions. Further organised support will be required in 1984, and beyond.

- 4. The major obstacles to achieving more rapid stabilisation and structural reform are political and constitutional. The dispersed nature of authority in Yugoslavia makes it difficult to take decisive action; the traditional power of the Republics and local units, strengthened by the principle of "socialist self-management" makes it particularly difficult to achieve the degree of centralisation necessary to implement key measures to control inflation, service foreign debt and unify the Republican economies into a Federal whole.
- 5. Nevertheless Mrs Planinc's Government remains committed to its present gradualist course and to achieving it in ways which have the effect of strengthening economic links with the West rather than increasing dependence on the CMEA countries. The IMF have been asked to provide a further standby programme for 1984 and Yugoslav plans are to increase export growth to the West so as to achieve current account surplus and improve debt service capability.
- 6. Progress in 1984/5 will depend on the following:
- (a) Whether the redirection of exports into the convertible area which is being achieved in 1983 (+15%), and control of imports (-8%) can be sustained. The present growth has been possible largely because of exchange rate devaluations (60% in 1983). Industrial production is now stagnating, and it will be difficult to keep up the required level of export production, even if markets can be found;

- (b) Greater effort and firmer IMF encouragement to introduce a sufficiently tight and effective monetary policy; this has been a crucial weakness so far. Interest rates, despite major increases this year, are still at substantially negative levels; there are no effective controls over the widespread system of inter-enterprise credits; and there are large foreign exchange accounts in existence.
- (c) ability to control other expansionary pressures, partly from wages. The sharp decline in real wages in 1983 (-10%) has been politically difficult to sustain and there are now strong domestic pressures upon the FEC to allow wages to catch up.

ENU 014/4

Country Assessment Paper
YUGOSLAVIA

August 1983

COUNTRY ASSESSMENT PAPER: YUGOSLAVIA

SECTION 1: INTRODUCTION

Political

- 1. Yugoslavia occupies a key strategic position in Europe as a buffer against Soviet expansion towards the Mediterranean. Its independence, non-alignment and maintenance of a careful balance in its relations with East and West are important factors for stability in the overall East/West balance. The Yugoslavs usually play a moderating role in the Non-Aligned Movement (NAM) and have worked hard to prevent the NAM from moving in a pro-Soviet direction.
- 2. Yugoslavia's Federal system of six Republics and two autonomous Provinces reflects (in part) President Tito's efforts, until his death in 1980, to create a political structure which would prevent disruptive nationalist rivalries among Yugoslavia's many ethnic groups. Much political and economic power has been devolved to the Republican and Provincial Governments, and this, combined with the need for 'consensus' in many decisions of the Federal Assembly, severely limits the power of the central Government. Elaborate provisions for collective leadership and annual or biennial rotation of posts among national and local political officeholders ensure that no one person or ethnic group can dominate but do not make for firm leadership. There are at present no public proposals for substantial constitutional reforms.
- 3. Yugoslavia is a one-Party state, under the League of Communists of Yugoslavia, but the extent of individual freedoms is fairly broad. Almost all Yugoslavs can travel abroad freely, though non-official journeys are currently subject to a heavy travel deposit to conserve foreign currency. Yugoslavs can practise their religion and take a fairly active role in at least local decision-making through the political system (the "delegate system") and Yugoslavia's unique system of self-management (see below). Since Tito died, Yugoslav society has enjoyed greater "democratization": the media and public debate are freer and a greater role for market forces is foreseen in the economy. But there are definite limits to freedom of expression. example, public challenges to Yugoslavia's basic constitutional structure, the Party's leading role, or criticism of the policies of non alignment or self-management are considered unacceptable. Attempts to stir up ethnic hostility are also dealt with severely. Severe prison sentences were imposed following widespread Albanian nationalist demonstrations in the Autonomous Province of Kosovo in Spring 1981. Sporadic nationalist incidents still occur there and elsewhere. Nevertheless,

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despite these areas of official wariness Yugoslav society a whole is receptive to Western influences, not least because millions of Western tourists visit Yugoslavia annually. The 'average Yugoslav' does not want to be (or be seen as) an 'East European'.

Economic

- Following the high growth rates and heavy foreign borrowing of the 1970s the economy slowed to growth of some 3.5% in 1981 and showed hardly any growth in 1982. Inflation rose to between 40% and 50% in 1981 but was reduced in 1982 to around 30%. It is now rising again. Yugoslavia ended 1982 with a serious shortage of foreign exchange and substantial repayment obligations for her international debt in 1983. Though there had been no formal defaults on repayments, there were an increasing number of delays. Thus the outlook for the first half of 1983 was particularly difficult as Yugoslavia's main hard currency inflow, apart from exports, occurs later in the year with the arrival of workers' remittances and the tourist season. The Yugoslav Government was determined to avoid general rescheduling which could have precipitated a serious internal political crisis. Accordingly fifteen Western Governments met in Berne on 6 January to put together a package of financial assistance and refinancing of maturities arising during 1983. This package, estimated at the time as approximately US \$1.3 billion, was contingent on the successful negotiation of the third phase of the current standby agreement with the IMF, a US \$500 million bridging loan from the Bank for International Settlements and a parallel package of assistance from commercial banks rolling over short/medium term loans falling due in 1983 and providing \$600 million new lending. Creditors have been obliged to acquiesce to a 6 month freeze on repayments of principal on existing loans. HMG's contribution to the package consisted of a governmental loan of £38 million and a commitment to refinance some £40 million of ECGD guaranteed credit due for repayment in 1983. In addition ECGD is maintaining cover for short term business within a ceiling of £20 million at risk at any one time; payment must be by irrevocable letters of credit (ILCs) issued by approved Yugoslav banks.
- 5. The Yugoslav workforce is organised on a basis of "self-management", under which workers own and manage their enterprises. Guidelines for economic development are laid down in a 5-Year Plan which is arrived at by agreement between the Republics and Autonomous Provinces and co-ordinated by the Federation. Although there is an extensive system of regulatory economic measures, market forces and the private sector play some part in economic life. Some 85% of agricultural land is held by private farmers but their productivity is low. Agricultural development, aimed at improving the efficiency of the

- private sector and encouraging them to cooperate on a basis of self-management, is now a high priority but ideological difficulties have prevented much real progress so far. Mining and the exploitation of energy resources are also priority objectives. There is an unmeasured but obviously extensive 'black' economy.
- 6. Opportunities for British companies have declined in the traditional industrial sectors because of Yugoslavia's acute shortage of foreign exchange. Over the next few years, most new business will come from the mining, energy, agricultural and food processing sectors. Supplies of spare parts and equipment for existing industrial installations, particularly those which are export-oriented, will continue to provide British companies with opportunities. The days of major new industrial projects are probably over for the foreseeable future, though oil and chemical projects may attract the necessary foreign support if the world market picks up.
- 7. Per capita GDP in 1980 was \$2,516; real personal income fell 7.5, 5 and 3.3% in the years 1980-82. Personal income and living standards are planned to fall by 7% in 1983 as part of the government's efforts to stabilize the economy and are likely to fall further with the year's high inflation rate.
- 8. Yugoslavia's foreign trade is designed to match its non-aligned position and thus maintain an approximate balance between East and West, with a significant proportion also going to the developing countries. In practice Yugoslav exporters have found CMEA markets easier and overall trade with the CMEA, and particularly with the Soviet Union which is a major oil supplier to Yugoslavia, has grown steadily. The 1980 Cooperation Agreement between Yugoslavia and the European Community (EC), provided opportunities for increased Yugoslav exports to Community markets. It has not yet produced the expected results, mainly because too many Yugoslav products are uncompetitive on price and quality, while marketing, delivery and sales promotion efforts are inadequate.
- 9. The Federal authorities well realise the nature of Yugoslavia's economic difficulties and hope to introduce major policy changes over the next few years in favour of greater market forces, with stiffer penalties for bad workmanship and, possibly, the withdrawal of subsidies from inefficient enterprises. A start has begun, but the structural readjustment towards an efficient, export-orientated economy will not be easy; sharp disagreements between the centre and well-entrenched local interests can be expected.

SECTION II: BRITISH INTERESTS

10. The order of priority of British interests in Yugoslavia has remained largely unchanged since 1979.

(i) Political and Strategic

It is a major UK (and NATO) interest to ensure that Yugoslavia remains independent and non-aligned, thereby denying facilities to Warsaw Pact Armed Forces and providing stability within the Balkan region. As the only Continental European member of the NAM, Yugoslavia can and does introduce a more moderate European dimension into the NAM's deliberations and those of the G77. The Co-operation Agreement with the EC is balanced by Yugoslavia's observer status with the CMEA.

(ii) Trade

British exports to Yugoslavia in 1982 totalled £159 million representing 0.3% of total exports and about 2.9% of convertible Yugoslav imports. These figures represent a decline in the UK share of the market; limited availability of finance for UK exports and traditional UK concentration on large contracts in the Yugoslav market were the principal cause for the deterioration. In the longer term, however, the market will remain valuable for British companies but for the next few years at least UK exporters tackling the Yugoslav market may need to arrange counter trade in some form. The Embassy plays an important role in providing advice on this.

(iii) Yugoslavia attaches importance to the trading relationship with the UK but wishes to see a significant improvement in Yugoslav exports. For political reasons it is important that we should assist by trying to increase the overall volume of trade.

(iv) Mineral Resources

Yugoslavia has large resources of copper, nickel and some chromium, but the first two are largely consumed by domestic industry at present.

(v) Investment

Yugoslav figures show the UK as accounting for about 1.5% of foreign investment in the country. Such investment is only permitted through joint ventures with Yugoslav (majority) partners. There are at present some 14 British/Yugoslav joint ventures.

Further UK involvement in joint ventures is unlikely to increase significantly until the present legislation is made more attractive and clearer: one of the Embassy's main areas of work on behalf of British firms lies in explaining the intricacies of joint venture legislation to them and in seeking clarification of particular aspects of it from the authorities. In recent years British banks have been active in arranging credits for Yugoslavia to support both UK exports and the Yugoslav balance of payments. UK consultants have had little success.

(vi) Defence Sales

Britain is a principal Western defence supplier to Yugoslavia. Defence sales in 1982 totalled some £22 million (over 100% up on the 1981 figure) despite our security restrictions which limit what can be sold and increasing Yugoslav pressure for 'offset'. An Anglo-Yugoslav Joint Commission for defence equipment co-operation was established in 1977. Yugoslav military personnel have received training, sometimes subsidised, at British defence establishments. There is currently a strong Yugoslav interest in the possible incorporation of Rolls Royce engines in their new combat aircraft project. Although the poor state of the Yugoslav economy is likely to make sales of defence equipment increasingly difficult, opportunities are likely to arise for the sale of equipment to Yugoslavia for onward sale to third countries (as has recently happened with the order for Martello Radar for Libya valued at £87m).

(vii) Resident British community and tourists

Although the resident British community in Yugoslavia is small, about 350,000 British tourists visited Yugoslavia in 1981.

SECTION III: YUGOSLAVIA'S INTERESTS IN THE UK

ll. (i) Political

By developing its already good relations with the UK (which have a special flavour because of our military support for Tito in World War II) and other Western countries, Yugoslavia underpins its policies of independence and non-alignment and can more readily rebuff any pressure from the Soviet Union.

(ii) Yugoslavia wishes to increase its trade with the UK (and with the West in general), to reduce the

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current large imbalance and so lessen its dependence on exports to CMEA (49% in 1981). Given HMG's political support, the Yugoslavs also look to us to help them achieve a more favourable relationship with the EC, secure advanced technology and maintain access to Western commercial banks for financial and trading loans.

(iii) Military

Yugoslavia wants the widest possible access to information on UK defence equipment. Purchases of military equipment from the UK lessen its dependence on the Soviet Union for military equipment and spares. They have shown an interest also in receiving lectures from British Service officers; those given recently on mine warfare and offshore tapestry were well received.

SECTION IV: BRITISH OBJECTIVES

12. In order of priority, largely unchanged since 1979.

(i) Political

- (a) To develop the already good bilateral relationship, through exchanges of high level visits and cultural, press and academic exchanges, and so strengthen Yugoslavia's independence, stability and territorial integrity.
- (b) To try to persuade Yugoslavia, to continue to exert a moderating influence in the NAM, in G77 and in other international fora such as the UN and CSCE.

(ii) Economic

- (a) To encourage and support the Yugoslav authorities in their efforts to undertake the economic adjustments necessary to place their economy on a viable footing.
- (b) To help Yugoslavia make best use of the EC-Yugoslav Agreement.

(iii) Trade

To maintain and if possible increase British exports to the Yugoslav market recognising that to ensure this it may be necessary to advise and assist the Yugoslavs in their own trading efforts. If possible, to use business opportunities in Yugoslavia to penetrate markets elsewhere.

SECTION V: MEANS IN SUPPORT OF OBJECTIVES

13(i)(a) British Embassy - Belgrade

DS Sponsored Staff

We maintain a resident Mission with a UK-based staff of 20 and a locally-engaged staff of 31½. Taking into account all factors, including the division of the time of the Head of Mission and his support staff, we estimate that the collective effort of the Mission is divided as follows:

Political	19%
Economic	9%
Commercial	20%
Information	7%
Consular	2%
Immigration/Visa	2%
Administration and Accounts	15%
Support (Communications and Registry/Typing except when specifically allocated to above functions)	26%

These figures exclude 5½ LEV drivers and cleaners who provide common services to all sections of the Embassy.

Other Departments represented are:

MOD - 4 UK-based staff

PSA - 2 locally-engaged staff

British Council - 4 UK-based and 17 locally-engaged

(b) British Consulate-General - Zagreb

DS Sponsored staff

We maintain a resident Consulate-General with a UK-based staff of 4 and a locally-engaged staff of 8. Taking into account all factors including the division of time of the Head of Post and his support staff, we estimate that the collective effort of the Post is divided as follows:-

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Political	12%
Commercial	34%
Economic	9%
Consular	19%
Information	2%
Administration and Accounts	24%

The figures above exclude 2 LEVc part-time cleaners.

Other Departments represented are:-

British Council - 2 UK-based and 6 locally-engaged staff.

(c) Consulate - Split

We maintain a resident Consulate with a locally-engaged staff of $l^{\frac{1}{2}}$ who are the Pro-Consul and Cleaner. We estimate that the collective effort of the Consulate is divided as follows:

Consular	80%
Administration	20%

(ii) Export Promotion

A significant proportion of the work of the two UK-based commercial staff is spent on export promotion; two senior locally engaged officers are also primarily engaged in this. 63l British commercial visitors sought assistance from the commercial sections in Belgrade and Zagreb in 1982.

Despite the downturn in the Yugoslav economy and ECGD's more restrictive credit support policy, British companies continue to show active interest in business opportunities often in connection with projects funded e.g. by the IBRD and EIB. They accordingly look to the Embassy for support and advice (as noted above) over joint venture arrangements and opportunities for counterpurchase.

(iii) BBC External Services

The BBC is the most respected foreign broadcasting service. The External Services broadcast in Serbo-Croat, Slovenian and Macedonian, on shortwave only, for a total of 17 3/4 hours per week. The World Service in English is also followed by senior officials and politicians who are known to value its reporting, particularly during international crises.

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(iv) Access to Decision Makers

Access to senior politicians and Party officials is reasonably good both in Belgrade and in the capitals of the Republics. High level visits to and from the UK are an important help in this. Access below the most senior level can be regularly maintained.

(v) Visits

HRH The Duke of Edinburgh, the Prime Minister and other senior British political figures attended Tito's funeral in 1980. The Prime Minister visited Yugoslavia later the same year. The Minister of State for Trade, Mr Parkinson, followed up the trade aspects of that visit in 1981. The Foreign Secretary paid a short visit in 1982 in return for a visit by the Yugoslav Foreign Minister to London in 1981. The Yugoslav Foreign Trade Minister visited London in late 1982, and the Prime Minister, Mrs Planinc, was to have visited London in May, but her visit was postponed owing to the 1983 General Election. An invitation to visit the UK has also been extended to the Foreign Minister. RN ships visit Yugoslav ports at least once a year.

(vi) British Council

The British Council is responsible for implementing the Programme of Educational, Cultural and Scientific Cooperation which is re-negotiated every two years, most recently in 1982. The Council operates independently in Yugoslavia through two offices (4 UK-based staff in Belgrade and 2 in Zagreb plus a total of 23 locally-engaged staff). The Council's estimate for the programme cost for 1982/83 is £693,000. The Council's main activities are support for the improvement of English Language teaching, promotion of academic and scientific exchanges and the provision of an effective information and reference service. The Council also maintains a general lending library in Belgrade. There is support for visits by touring British companies and exhibitions.

SECTION VI: POLICIES OF OTHER COUNTRIES TOWARDS YUGOSLAVIA

14. British objectives are shared generally by other members of the Ten, particularly France, Italy and FRG. Relations with the USSR are no more than correct. During the visit by Mr Gromyko in 1982 and by the Soviet Prime Minister in March 1983, the Yugoslavs stressed their independence and non-aligned foreign policy. There is no evidence that the USSR actively meddles in Yugoslavia's internal affairs or that the USSR is using its favourable economic position vis-a-vis Yugoslavia to demand political concessions. Relations with the US tend to fluctuate, owing

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mainly to Yugoslav sensitivity about super power domination but the US pays much attention to developing closer relations with Yugoslavia and led the Western financial assistance package in 1983. Numerous Third World countries maintain active relations with Yugoslavia primarily because of its major role in the NAM. Yugoslavia's relations with Albania and Bulgaria are poor, aggravated respectively by alleged Albanian support for Albanian nationalists in Kosovo and by periodic disputes with Bulgaria over the ethnic status of Yugoslavia's 'Macedonians'.

SECTION VII: THREATS TO AND OPPORTUNITIES FOR BRITISH INTERESTS

A. THREATS

- 15. (i) The absence of Tito's unifying influence on the various Yugoslav nationalities, particularly the Albanians in Kosovo, and increasing economic difficulties could lead to serious disagreements between the Republican and Federal authorities creating tension within Yugoslavia and instability in the Balkans which the Soviet Union might then exploit.
 - (ii) Continuing Yugoslav economic difficulties will hamper a recovery in British exports and could jeopardise repayment of debts due to HMG and other UK lenders.
 - (iii) Yugoslavia's continued difficulty in correcting its trade imbalance with the West could lead to greater economic dependence on the CMEA, at least in the short-term.

B. OPPORTUNITIES

16. Western financial help to Yugoslavia and greater openness by the EC will give the authorities a vital breathing-space and help them implement market-orientated economic reforms, so helping to turn Yugoslavia's attention increasingly towards the West.

YOSLAVIA

1. Land Area and Population

(a)	Land Area				255,	804	km^2
(b)	Population	(1981)			22	.52	mill
(c)	Population	Growth	Rate	(1976 - 81)		0.9	% pa

2. Economic

(i)	Gross National Product	1981
	(a) Total	62,930 US\$ mill
	(b) Growth Rate (1975-80)	5.1 % pa
	(c) Position in Total GNP League Table	28 (of 189)
	(d) Per Head	2,790 US\$
	(e) Position in Per Head League Table	59 (of 189)

(ii) Overseas Finance

(a)	Exchange Rate	1979	1980	1981	1982	
Dinars per	<pre>£1 Sterling = US\$ =</pre>	40.302 18.996	57.950 24.911	72.007 35.508	89.841 51.323	
(b)	Balance of Payments	1979	1980	1981	1982	US\$
	Exports		8,978			MILL
	Imports	-14,019	-15,064	-14,528	-12,229	
	Invisibles and Transfers (net)	3,564	3,795	3,377	1,517	
	Current Account	-3,661	-2,291	-946	-465	
	Capital Account	-1,337	763	-968	-1,406	
	Balancing Item	-9	-935	534	930	
	Overall Balance	-5,007	-2,463	-1,380	-941	
(c)	International Reserve	<u>1979</u>	1980	1981	1982	US\$ MILL
	Total Reserves (excluding gold)	1,25	7 1,384	1,597	775	
	Months of Imports covered	1.08	8 1.10	1.32	0.70	
(iii) Fore	eign Trade					

(iii) Foreign Trade

(a)	Main Exports		1977	1982	%
	Electrical & Transport Machinery		32.2	31.1	
	Manufactured Goods & Equipment		22.9	22.0	
	Miscellaneous Manufactured Goods		13.9	18.0	
	Chemicals	*	6.4	10.7	
	Food & Live Animals		9.6	8.9	

	Cons	sumer Price Index	29.9	39.7	32.9	
(y)	Inf	lation	1980	1981	1982	% pa
		(ii) All LDCs		NA	NA	
		(i) Yugoslavia		1.45	-0.66	
	(b)	Aid per head		1976	1981	US\$
		Organisations		1.7	2.8	
		Multilateral		()	()	
		bilateral basis (of which, UK)		29.6	-17.6 ()	
		From: DAC Countries on a		20 6	17.6	
	(a)	Reported Aid Receipts		1976	1981	US\$ mill
(iv)	Deve	elopment Aid				
		Total UK Imports		40.5	52.1	£ mill
		League Table		37	45	(of 197)
		Position in UK Exports				
		Real Growth of Exports (five years ending)		9.7	-10.3	% pa
		Total UK Exports		175.0	158.9	£ mill
	(e)	UK Trade with Yugoslavia		1977	1982	
		(UK)		(3.7)	(2.5)	
		USA		5.7	6.6	
At the second se		Italy		10.7	7.4	
		FRG		16.3	14.0	
		USSR		13.5	19.8	
	(d)	Main Import Sources		1977	1982	%
		Raw Materials		9.8	10.4	
		Chemicals		10.3	12.6	
		Manufactured Goods & Equipm	ment	18.3	15.1	
		Fuels & Lubricants		13.4	26.4	
		Electrical & Transport Mac	hinery	35.3	27.1	
	(c)	Main Imports		1977	1982	%
		(UK)		(1.3)	(0.9)	
		Czechoslovakia		3.9	5.0	
		FRG		7.4	7.1	
		Italy		12.6	7.7	
		USSR		21.7	34.1	
	(b)	Main Export Markets		1977	1982	%

Overseas Debt 1	1980	1981	1982	%
(a) Debt Service Ratio	15.6	25.4	24.1	
(b) Overseas Debt/Exports	90.1	130.0	120.7	
(c) Overseas Debt/GNP	23.0	25.0	26.0	

(vii) Overseas Direct Investment

- (a) UK Investment in Yugoslavia
- (b) Position in UK League Table NOT APPLICABLE
- (c) Yugoslav Investment in UK

1 In convertible currencies

UF AJOR EXPORTS TO YUGOSLAVIA IN 1982 (£m)

Description	SITC	Value	% of Total	Cumulative %
Metalworking machinery	737.00	31,030.5	19.5	
Non-electric engines & motors	714.00	13,259.8	8.3	
Plates & sheets of iron & steel	674.00	5,179.5	3.3	
Instruments & apparatus for measuring, checking, analysing & controlling	874.00	5,168.8	3.3	
Medicinal & pharmaceutical products	541.00	4,894.3.	3.1	37.5
Automatic data processing machines	752.00	4,821.4	3.0	
Non-electric parts of machinery	749.00	4,040.0	2.5	
Miscellaneous chemical products	598.00	3,907.9	2.5	
Motor vehicle parts	784.00	3,860.3	2.4	
Mechanical handling equipment	744.00	3,722.8	2.3	50.2
Machinery & equipment specialised for particular industries	728.00	3,575.7	2.3	
Internal combustion piston engines	713.00	3,371.9	2.1	
Telecommunications equipment	764.00	3,274.6	2.1	
Civil engineering and contractors' plant & equipment	723.00	3,212.9	2.0	
Organo-inorganic and heterocyclic compounds	515.00	3,124.0	2.0	60.7
Office machine parts	759.00	2,413.5	1.5	
Meat & edible meat offals	011.00	2,182.5	1.4	

Pumps & compressors; fans & blowers; centrifuges; and, filtering & purifying apparatus	743.00	1,975.7	1.2	
Carboxylic acids & their numerous forms	513.00	1,883.6	1.2	
Heating & cooling equipment	741.00	1,872.4	1.2	78.0

TOTAL UK EXPORTS TO YUGOSLAVIA IN 1982 = £158,881.0 mill

Country	Area '000 Sq. Kms	Size of Population (million)	Growth rate of Population (7 p.a.)	Total Armed Forces ('000)	Total Military Expenditure (\$ million)	GNP (8 million)	Per capita GNP (\$)	Total Exports (\$ million)	Total Imports (\$ million)	UK Exports to (f million)	UK Imports from (f million)	No of Dip Missions in	Dip	Membership Principal International Organisations
Albania	28,74	2.75	2.5	43	199	2,42	840	na	na	1.5	0.1	16	29	UN
Austria	83.9	7.5	0.1	50.3	870	68,4	9,120	15,432	20.184	279.7	307.3	72	56	UN, EFTA OECD Council of Europe
Bulgaria	110.64	8.90	0.5	149	1,340	32,73	3,690	10,163	9,339	35.2	14.4	46	72	UN WP CMEA
Greece	132	9.3	0.6	193.5	1,770	42,2	4,520	5,219	10,547	224.6	142.5	58	60	UN, COE NATO, EC OECD, GATT
Hungary	93.00	10.74	0.4	101	1,240	41,27	3,850	12,359	12.858	69.0	43.3	66	113	UN WP CMEA
Italy	301.3	56.8	0.7	366	7,200	368,9	6,480	77,679	99,476	1.899.2	2,311.1	101	119	UN, COE NATO, EC OECD, GATT
Romania	237.50	22.31	0.9	184.5	1,350	41,830	1,900	10,501	11,599	98.9	64.8	110	131	UN, WP CMEA IMF/IBRD
fugoslavia	255.80	22.5	0.9	252.5	3,470	53,790	2,430	8,977	15,101	190.5	56.8	79	87	UN NAM IMF/IBRD

CONFIDENTIAL

Brief No 1(e)

MRS MILKA PLANINC (MEELKA PLAN-EENTS)

President of Federal Executive Council of Yugoslavia. (Prime Minister).

Member of Croatian Presidency.

Born 1924, Drnis. Croat. Graduated from Higher Administration School.

Joined the League of Communist Youth of Yugoslavia in 1941, and the Communist Party in 1944. Sometime Head of Section in the Secretariat for Education and Culture of the Zagreb City Assembly. Secretary of Republican Secretariat for Schools and Education 1963-1965. Elected to Presidium of League of Communists of Croatia 1966. Member of the Executive Committee, of the League of Communists for Croatia 1968-71.

At the end of 1971, Mrs Planinc was elected President of the League of Communists of Croatia which made her an ex-officio member of the Presidium of the League of Communists of Yugoslavia. Re-elected 1974-78. Elected to her present position for a four year term on May 15, 1982.

Her husband Zvonomir (Zvonko) who has played no part in Mrs Planinc's political career, is a Slovene and retired about two years ago from his job as an engineer with the Zagreb enterprise 'Monter'. They have two grown children - one son, a student of architecture and one daughter, a sculptress at the Academy of Fine Arts.

Neither Mrs Planinc nor her husband speaks English.

ZIVORAD KOVAČEVIĆ (JEEVO-RAD KOVACH-EV-EECH)

Member of Federal Executive Council. President of Commission for Cadre and Organisational Questions of Federal Administration.

Born 1930 at Svetozarevo; Serb

Became Member of League of Communists of Yugoslavia 1946.

Master of Political Sciences, Berkeley and Harvard. Amongst posts held are: Assistant Secretary Standing Conference of Towns 1956-1957, Director of Republican Institute of Public Management, and Assistant Secretary in Serbian Executive Council. Until March 1974, Secretary General of Standing Conference of Yugoslav Towns. 1974: Mayor of Belgrade. Re-elected 1978. President positions from 1982. Was a member of Central Committee of League of Communists of Serbia but lost his seat in 1982.

He has published articles on the communal system and edited a municipal magazine. Has visited UK many times, including official visits in July 1972 with a delegation of municipal representatives and in 1975 as Mayor of Belgrade.

Tall, likeable, highly intelligent man with wide cultural interest. He is likely to continue to rise. Excellent English. Married.

MIRKO OSTOJIĆ (MEERKO OSTOY-EECH)

Deputy Federal Secretary of Federal Secretariat for Foreign Affairs, since 1982.

Member of Central Committee of the League of communists of Yugoslavia.

Born 1923 in Vlasenica, Bosnia-Hercegovina. Serb.

Ambassador to Brazil for four years; Ambassador to Peking from 1978-1982.

Speaks excellent English and Portuguese.

Friendly, sociable and well informed. Probably one of the pragmatists in the Central Committee, but cautious in discussing Party matters.

DRAGI STAMENKOVIĆ (DRAGEE STAMENKOV-EECH)

Ambassador to UK since July 1981. Born in 1920 at Leskovac. Wartime Partisan and holder of the 1941 Partisan Memorial Medal. After the war he held a number of economic posts in the Serbian and Federal Governments; member of the presidency of the Socialist Federal Republic of Yugoslavia, 1971. Deputy of the Federal Assembly 3 times and Deputy of the Republican Assembly 4 times. Yugoslav Ambassador to Brazil 1971-74. Had visited the United Kingdom on a number of occasions before becoming Ambassador. Decorated with the Order of the National Hero and bearer of various Yugoslav and foreign decorations.

Speaks reasonable English.

Married, with 3 children. Keenly interested in football.

KADIR ALIJAGIC (KAD-EER ALEE-AG-EECH)

Appointed Deputy Federal Secretary for Foreign Trade in 1982.

Private Secretary to Prime Ministers Bijedic and Djuranovic, 1977-82. Speaks very little English.

DRAGOLJUB KONTIC (DRAGO-LYOOB KON-TEECH)

Foreign Affairs adviser to Mrs Planinc.

Professional diplomat. Previous posts include Vienna, Bombay, Calcutta, London (1965-1968, 2nd Secretary), New Delhi and Lima. Served in President Tito's Private Office, 1962-5. Good English.

VLADISLAV JOVANOVIC (VLADEE-SLAV YOVANOV-EECH)

Head of West European Department, Federal Secretariat for Foreign Affairs, (FSFA)

Serb. Professional Diplomat. Previous posts include Ankara, Head of Planning Staff, FSFA, and Minister at yugoslav Embassy in London. Excellent English.

JOVAN PREMERU (YOVAN PREMER-OO)

Head of Protocol of the Federal Executive Council, since 1980.

Croat, Professional Diplomat. Previous posts include Ethiopia and London (1968-72 and 1976-80, Press Counsellor).

Excellent English

MILUTIN STOJANOVIC (MIL-OO-TIN STOY-ANOV-EECH)

Minister Counseller, Yugoslav Embassy, since September 1983. Born 1931, in Skopje. Has served in Italy and the USA. Speaks good English. Married; wife a professor of French.

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VOIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

YUGOSLAVIA IN THE NON-ALIGNED MOVEMENT

POINTS TO MAKE

- 1. Note Yugoslavia's long-standing commitment to Non-Aligned Movement (NAM). Moderating force.
 - 2. Glad that Cuban Chairmanship now over, and attempts to align the NAM explicitly with Soviet Union were beaten off. Radical manipulation of the NAM reduces its credibility in Western eyes.
 - 3. Welcome India's Chairmanship. Hope moderates will recover confidence and organise themselves better. Genuine non-alignment a contribution to world stability. Away from NAM meetings, many member governments realistic and balanced. But New Delhi Summit disappointing. Results unbalanced. Way in which NAM meetings work still allows extremists and regional interests to dominate Movement's policies.
 - 4. NAM principles command respect self-determination, non use of force, respect for UN Charter, resistance to super-power domination. But too often NAM abandons these when inconvenient. Rejection of self-determination for people of Falklands and facile endorsement of Argentina's territorial claim: legally frivolous, politically contemptible. Failure to criticise Argentina's use of force. Gentle treatment of Soviet Union (not even named explicitly in reference to Afghanistan). Can Cuba and Vietnam be considered non-aligned? Criticism of US military facilities in Indian Ocean: silence on more numerous Soviet facilities spread around the same region.
 - 5. Wish Yugoslavia success in making the NAM more serious and better balanced.

CONFIDENTIAL

ESSENTIAL FACTS

- 1. Yugoslavia under Tito was the dominant force behind the foundation of the Non-Aligned Movement (NAM). Its first summit was held at Belgrade in 1961. The Yugoslavs have continued ever since to be active in the NAM. At the Havana Summit in 1979 Tito and other moderates ensured that the Cubans failed to gain endorsement of their thesis that the Soviet Union and non-aligned countries were 'natural allies'.
- 2. Yugoslav and Indian attempts to restore the movement after the years of Cuban manipulation began to bear fruit at the New Delhi Foreign Ministers meeting in 1981 when the movement went some way towards condemning (though not explicitly) the Soviet invasion of Afghanistan and the Vietnamese invasion of Cambodia. The Yugoslavs played a significant role at this year's New Delhi Summit where they were chosen to chair the Political Committee. They take credit for having influenced the final Political Declaration, particularly the passages relating to the principles of the movement and to disarmament.
- 3. The Yugoslavs are pleased with Indian chairmanship so far. They are aware of the imperfections of the movement and the damage done by the Cubans and other extremists. But their reliance on the Indians to steer the movement to a more central position may be optimistic. And their tendency to expect the West, despite being the target of regular NAM criticisms, to make allowances for the rhetoric and take NAM policies seriously needs constantly to be checked.

UNITED NATIONS DEPARTMENT FOREIGN AND COMMONWEALTH OFFICE

10 NOVEMBER 1983

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BRIEF NO 3

EAST/WEST RELATIONS

POINTS TO MAKE

EAST/WEST

- 1. UK and Yugoslavia have common interest in stable East/West relations.
- 2. Many reasons for cool climate in East/West relations. Soviet Union appears unable to recognise that actions it claims to be in defence of its security (arms build-up, Afghanistan, KAL etc) appear threatening to others. Need to keep lines of communication open to avoid misunderstandings.
- 3. Concerned that East/West agenda now confined almost entirely to arms control; Soviet vision almost exclusively concentrated on INF. But must realise that propaganda attempts to separate US from Western European partners will not succeed, nor will attempts to discredit President Reagan. Results will only be achieved at negotiating table.
- 4. What are your views on Soviet leadership? What implications do you draw from Andropov's failure to appear at October revolution celebrations?

POLAND

Recent Developments

5. Continue to follow developments in Poland closely.
Welcomed lifting of martial law and announcement of amnesty;

but also noted the package of legislation which accompanied lifting of martial law.

6. Look for a more normal relationship with Poland but this must depend upon developments there. Will judge Polish authorities' actions by their practical effects. Political and economic stability can not be achieved in Poland without a genuine dialogue between Government and people.

Prospects

7. How do you see situation in Poland developing? Plans for Yugoslav visits?

AFGHANISTAN

8. Soviet occupation a major obstacle to improvement in East/West relations and an affront to Non-Aligned Movement. International concern undiminished after almost four years. Look forward to another strong UN vote calling for Soviet withdrawal.

UN Mediation Effort

9. Cordovez's mediation effort blocked by Soviet refusal to agree timetable for troop withdrawal. Vital he and Secretary-General press for Soviet agreement and adhere to principles of UN resolutions. Pakistan committed to UN process.

CSCE (see brief no 8 on CDE)

10. Madrid Concluding Document has expanded on a number of Helsinki commitments and added several new ones. Important to put new commitments into effect.

EAST/WEST ECONOMIC [Defensive]

- 11. Believe that trade between East and West should remain consistent with our broad security concerns and international obligations. Should be conducted on commercially sound terms and on basis of mutual advantage. Have no plans to alter this policy.
- 12. Our trade policy with Yugoslavia a separate matter and not subject to the same considerations as trade across the East/West divide.

ESSENTIAL FACTS

EAST/WEST POLITICAL AND SOVIET/YUGOSLAV RELATIONS

- 1. External: In recent weeks the Russians have been using their familiar tactic of blowing hot and cold. Aim is to discredit Reagan personally and to put under strain alliance solidarity over INF.
- 2. Internal: Andropov's absence from ceremonies to mark 66th Anniversary of the Revolution has prompted renewed speculation about his control. The official explanation that he has a cold appears inadequate and although his preeminence appears undisputed a further prolonged failure to appear in public will increase speculation both within and outside the Soviet Union about a possible successor. In these circumstances, although a breakdown in the day to day decision making process is not likely, it will be difficult to change existing policies.

Soviet/Yugoslav Relations

- 3. Yugoslav relations with the Soviet Union are correct but cool. Political differences tend to be put to one side rather than resolved. Russians have never forgiven Tito's break with Stalin in 1948 and the subsequent withdrawal of Yugoslavia from the orthodox communist fold. But Moscow recognises and accepts the growing importance of the NAM of which Yugoslavia is a founder member.
- 4. The last Soviet high level visit to Yugoslavia took place from 21-25 March this year when Tikhonov was invited to Belgrade as the guest of Mrs Planinc. Tikhonov's visit did little to overcome the fundamental differences between both sides. On the wider East/West front, the Yugoslavs blame both superpowers equally for the current level of

confrontation, much to the irritation of the Russians. On nuclear and conventional disarmament issues, the Yugoslavs have described the Soviet proposals as useful and positive but at the same time have stressed their support for any initiative leading to disarmament.

5. The poor state of the Yugoslav economy has heightened the Yugoslavs' dilemma about the extent to which she should increase her trade with the Soviet Union (which is already her biggest trading partner).

POLAND

Recent Developments

- 6. The lifting of martial law in July, partial amnesty, relaxation of foreign travel restrictions, withdrawal of military commissars from civilian enterprises were all positive moves. But the new legislation introduced at same time, if implemented in full will be repressive though less so than in most other East European countries.
- 7. The Yugoslavs welcomed the lifting of martial law. In their public comment they stressed that 'only the Polish people and their progressive forces must and can find a solution to overcoming the crisis in their country, without interference from any other quarter'.

AFGHANISTAN

8. The General Assembly has adopted four resolutions with overwhelming majorities calling for the immediate withdrawal of foreign (ie Soviet) troops from Afghanistan. This year's debate is scheduled for 21-23 November. The Pakistanis will again sponsor the draft resolution, but we will lend discreet lobbying support, stressing the global (ie not East/West) angle to maximise Third World support.

UN Talks

9. Cordovez's mediation effort remains deadlocked on the crucial question of a timetable for Soviet troop withdrawal. On 30 September, Perez de Cuellar told the Prime Minister that he would press for Soviet agreement to a timetable, and would continue his efforts as long as Pakistan and the Karmal regime wished. But he is not optimistic. Informal consultations have been taking place in the margins of the General Assembly. Cordovez may return to the area this winter.

Yugoslav Position

10. Yugoslavia has opposed the Soviet invasion and has supported all four UN resolutions.

EAST/WEST ECONOMIC

11. Yugoslavia is not a COCOM-proscribed or diversionary destination, and will therefore be unaffected by recent efforts to tighten up on COCOM enforcement procedures. But the Yugoslavs may be concerned lest any spin-off from Western attempts (which have received a good deal of publicity) to restrict the West/East technology leakage should affect their trading position with the UK. They can be reassured on this point.

Soviet Department 9 November 1983 VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Brief No 4:

SOUTHERN AFRICA/NAMIBIA

POINTS TO MAKE

a) South Africa

Constitutional Reform/Referendum Result

1. Are keeping comment to a minimum. Hope it is beginning of process of real change and not the end. Must not write it off. But seriously flawed in making no provision for blacks. The shake-up of white politics and attitudes may prove to be the most important immediate consequence. What do Yugoslavia think? We shall continue to do what we can to encourage peaceful evolutionary change.

Destabilisation

- 2. Insecurity in Southern Africa damaging to States there, including, in longer-term, South Africa. How do Yugoslavia assess present position?
- 3. We take all opportunities to persuade the South Africans to moderate their approach. FCO Minister of State, Mr Rifkind, took the opportunity to do so during his recent visit to Southern Africa. But our influence is limited.
- 4. Clearly vital Southern African countries make progress towards mutual trust through greater contact. No sacrifice of principle is necessary. Some realism and pragmatism among African leaders and plenty of contact at working level. Needs encouraging; bound to be fragile while cross-border violence continues. Welcome Yugoslavian views on approach to reducing tension and violence.

b) Namibia

UN Plan for Namibia

5. We and partners in Five remain committed to early implementation of UN Plan. Value support of our friends: further patience both necessary and justified. Must preserve wide measure of agreement achieved so far.

UN Security Council/Secretary General

6. Five will continue to assist UN Secretary General in any way we can. Adoption of SCR 539 has not brought us further forward. 31 December deadline might add urgency to search for a settlement. We remain opposed to sanctions.

US/Angola Dialogue

7. Dialogue must be allowed to run its course. Our position on linkage clear (expressed in vote for SCR 539) but we must find a way out of present problems, which cannot be ignored. US not inflexible. Angolan security concerns must be addressed. Withdrawal of <u>all</u> foreign troops, Cuban and South African, from Angola would bring wider benefits and create atmosphere of confidence.

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Brief No 4:

SOUTHERN AFRICA/NAMIBIA

ESSENTIAL FACTS (may be used freely unless indicated otherwise)

a) South Africa

Constitutional Reform/Referendum Result

- 1. In a referendum of the white electorate held on 2 November about the new South African constitution there was a 66% 'yes' vote, larger than expected. The reforms, which leave the system of apartheid intact, provide for a powerful Executive President, 3 separate Parliamentary Chambers (for coloureds, Indians and whites), a cabinet responsible to the President to deal with issues affecting all three groups and separate Ministers' Councils to handle 'own affairs', defined as affecting solely a particular racial community. Coloureds and Indians will have a measure of autonomy over their own affairs at the national level but the whites, who will dominate numerically will continue to exercise effective control over national issues. The reforms take no account of black political aspirations which the South African authorities argue are catered for in the homelands. The proposals have aroused much controversy in all communities and have been universally condemned by the black African population.
- 2. Following the referendum result, Mr Botha said that a new foundation for national unity has been laid, (and) for reform in an evolutionary way. At the same time he made clear that his Government could not satisfy 'radical outside demands'.
- 3. South African authorities have shown themselves very sensitive to foreign comment about the referendum and the new constitution. We have been careful to avoid being drawn into the debate. Our hope is that these proposals, seriously flawed

as they are, will set in train a process, obliging the Government to concede more, first to Coloureds and Indians, and eventually to Blacks. But the referendum result may harden black attitudes, possibly undermining moderate leaders. South African ministers talk about eventual representation at national level for urban blacks (though ruling out representation in Parliament) and have established a Cabinet Committee to examine how to make provisions for these blacks in the national political process. But there is unlikely to be early progress.

Destabilisation

- 4. South Africa's policies towards its neighbours have been increasingly aggressive in the past 2 years. The African National Congress (ANC) has, at the same time, mounted an increasing number of sabotage raids in South Africa. South Africa's policies are aimed at:
- i) The elimination of and ending of facilities for the ANC;ii) The reduction of communist influence;
- iii) The maintenance of neighbouring States in a condition
- of weakness and dependence on South Africa.

 South African forces have engaged in cross-border operations in Lesotho (December 1982) and in Mozambique (May and October 1983). South Africa also supports armed opposition movements in neighbouring States and engages in direct and indirect

economic sabotage. The economic, political and psychological

effects are considerable.

5. Underlying South Africa's concern is a belief that the Soviet Union is engaged in 'a total onslaught' in Southern Africa. We do not dismiss the Soviet threat but doubt whether Southern Africa occupies a high priority in current Soviet external policy planning. We question the relevance and efficiency of South African tactics/strategy for countering the 'threat' and believe its policies may in the long term prove counterproductive.

6. We have tried to promote contact and political dialogue between South Africa and its neighbours, particularly Lesotho, but we see nothing to be gained by being drawn in as intermediaries. It is essentially for the states in the region to evolve their own modus vivendi.

Mr Rifkind's Southern African Tour

- 7. Mr Rifkind visited Angola, Zimbabwe and South Africa from 31 October to 8 November. The visit was one of familiarisation; it was also part of our continuing effort to influence South African thinking. It was stressed to African governments that the visit did not signal any change in our basic policy towards South Africa; these governments expressed full understanding of our approach.
- b) Namibia

UN Security Council

8. SCR 539 adopted on 28 October by 14-0-1 (US). Condemns South African Government (SAG) for obstructing early settlement, rejects linkage, asks SG to report back to Council by 31 December on implementation of Resolution. Council should then consider 'appropriate measures' in event of further obstruction by SAG. Resolution not particularly helpful but nothing to justify our witholding positive vote. We took care to protect our position on sanctions.

US/Angola

9. Dialogue continues. US making genuine effort to address Angolan concerns. [Not for use: US pursuing 'last push' for settlement within lifetime of current administration].

Angolan Attitude

10. Angolans preoccupied by UNITA military successes (Cangamba,

Calulo in August, September). Probably more concerned now with restoring military balance than with pursuing dialogue with US. Their inexperience as negotiators, and lack of confidence in US, also factors.

SAG Attitude

11. No pressure on SAG to settle. Feel well in control of military situation. But have failed to create any viable anti-SWAPO grouping within Namibia. Too early to tell whether perceptions will be changed by Botha's victory in Constitutional Referendum.

Yugoslav Attitude [not for use]

12. Yugoslavs follow FLS line. Members of UN Council for Namibia. General support for Five's efforts. Condemn linkage, support calls for immediate implementation of SCR 435.

Southern African Department

8 November 1983

BRIEF NO: 5

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

INDO-CHINA

POINTS TO MAKE

- 1. Share Yugoslav view of importance of political solution in Cambodia based on the 1981 International Conference.
- 2. Must allow Cambodians to determine their own future. Coalition with Prince Sihanouk and Son Sann should help, and ASEAN's latest proposals very positive. Any sign that Vietnam will take them up?
- 3. Democratic Kampuchea's credentials not challenged this year. Any views on Vietnamese motives? Noted that ASEAN's resolution on Cambodia again secured an overwhelming 105 votes.
- 4. No sign of moderation or compromise from Vietnam and little suggestion of pressure from the Soviet Union.

INDO-CHINA

ESSENTIAL FACTS

- 1. The Vietnamese invasion of Cambodia in December 1978 ousted Pol Pot's pro-Chinese Democratic Kampuchean Government and installed the People's Republic of Kampuchea under Heng Samrin, which Hanoi has since maintained in power with a force of 150-180,000 men. The 1981 International Conference on Kampuchea (ICK) held in New York under UN auspices called for the immediate withdrawal of Vietnamese forces, free elections under UN supervision to allow the Cambodians to determine their own future free from outside interference and coercion, and respect for a neutral and non-aligned Cambodia. Vietnam and the Soviet Union boycotted the conference.
- 2. The Coalition established in July 1982 of Prince Sihanouk and Son Sann of the Khmer People's National Liberation Front with the Khmer Rouge under Pol Pot's lieutenant Khieu Samphan, may give the Cambodians a genuine non-communist alternative. Pol Pot has 30,000 guerrillas, Son Sann 10-12,000 and Prince Sihanouk 5,000. They have been operating more widely during the current monsoon. But they have no prospect of driving the Vietnamese out.
- 3. We withdrew formal recognition from Democratic Kampuchea in December 1979 but continue to support their seating at the UN. Last year the Coalition attracted 90 votes. This year the Vietnamese did not challenge (possibly fearing another overwhelming diplomatic defeat). The Yugoslavs continue to recognise Democratic Kampuchea as a government, and also supported ASEAN's standard resolution (which we co-sponsored) incorporating the ICK recommendations. They take a considerable interest in the Cambodia problem and are normally well informed on Vietnamese thinking. Vietnamese Foreign Minister

 Nguyen Co Thach, who met Mr Luce in London in October, claims to be maintaining a dialogue with his ASEAN's counterparts, but the Vietnamese have not responded to ASEAN's imaginative ''Appeal for Cambodian Independence'' which called for a phased withdrawal (from west to east), UN observers, the return of refugees and the resumption of aid to vacated areas.

- 4. Indochinese refugee problems persist. Thailand is looking after over 350,000 including 225,000 Cambodians who have fled to the Thai border areas and are fed and cared for by the UN relief operations to which we contribute about £500,000 each year. Over 22,000 boat-people have reached havens in regional states so far this year. It is fewer than last year but 13,600 are still awaiting resettlement from Hong Kong. ''Orderly'' departures from Vietnam under UN auspices are increasing, and may reflect Vietnamese concern at the continued exodus of boat-people. We have exhausted our own quota. We continue to take those who satisfy our family reunion criteria or who are picked up by British flag vessels (if they do not find resettlement elsewhere).
- 5. We suspended bilateral aid to Vietnam in July 1979. The EC continues to block food aid, too. Only UN, Swedish and a little French aid are available to supplement economic assistance from Comecon partners. Vietnam shows no sign of compromise over its Cambodian adventure. Direct military costs are not great, but diverted resources and lost investment will require continuing subventions from USSR at about \$5m a day. However, the Soviet Union shows no sign of pressing Hanoi for a solution. They have reaffirmed a determination not to discuss ''third parties'' in their talks with the Chinese, and Geydar Aliyev (a senior member of the Politburo) went to Hanoi at the end of October to celebrate the fifth anniversary of the Vietnam-USSR Treaty of Friendship and Co-operation. An early end to the stalemate on Cambodia does not seem likely.

BRIEF NO 6

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

LEBANON AND ARAB/ISRAEL

Points to Make

Lebanon

- 1. <u>National reconciliation talks</u> have made some progress.

 Important to keep up momentum. <u>MNF contributors/Ten</u> stressing need for concessions from all parties. Hope <u>Yugoslavia/NAM</u> can also speak. <u>Prospects</u> for talks?
- 2. MNF doing a useful job. Will remain as long as it can help create conditions for national reconciliation. BRITFORLEB guarding Ceasefire Committee at request of all
- 3. Assume proposal for <u>Yugoslav ceasefire observers</u> no longer under consideration?
- 4. (If raised). <u>US retaliation for bomb attacks</u>. Priority for all MNF contributors is reconciliation process. But all contingents have right to self-defence.

Arab/Israel

5. Lebanon has overshadowed the wider <u>Arab/Israel peace process</u> but efforts must continue. Mr Luce's visit confirms our commitment to active diplomacy along the lines of Venice principles.

PLO

6. Appalled by violence in <u>Tripoli</u>. Yugoslav assessment of situation and consequences for Middle East?

Essential Facts

1. Yugoslav Attitudes. The Yugoslavs take a standard non-aligned position on Middle East issues. This was set out most recently in the communiqué from the Non-Aligned Summit in Delhi in March which supported the Arab cause and the PLO; contained harsh criticism of Israel and of US support for Israel: and praised the 'advanced' European stand on Palestinian rights. The Delhi Summit agreed to set up a seven-member commission including the PLO under Mrs Gandhi's chairmanship to follow up on Middle East items. This has so far been inactive. The Yugoslav Chargé in London made clear to Mr Luce in July his government's support for Arafat and opposition to Syrian attempts to control the PLO. On 7 November an official Yugoslav statement called on all Arab countries and particularly Syria, to take steps to achieve a ceasefire between the PLO factions fighting in northern Lebanon.

Lebanon

- 2. First session of Geneva Reconciliation Talks (31 October 4 November) reached agreement on formula continuing Lebanon's Arab identity and its commitment to Arab League Charters. Problem of 17 May Israel/Lebanon Agreement sidestepped by mandate to President Gemayel to 'undertake the necessary contacts to end the Israeli occupation'. Gemayel paid short courtesy call to Paris on 5 November, but no news of planned visits to MNF capitals or Arab states for substantive discussion. Talks in Washington likely to be delayed until President Reagan returns from Far East (15 November). Reconciliation talks were to have restarted 14 November but all parties accept that date will slip to end November. Difficult discussion of constitutional reform yet to come but signs of some progress by Commission left behind to prepare second session.
- 3. <u>Military situation/observers</u>. <u>Ceasefire</u> continues to hold in Lebanese fashion. Geneva talks agreed to strengthen quadripartite <u>Ceasefire Security Committee</u>: BRITFORLEB continues to provide guard for daily meetings. No progress on proposed deployment of <u>800</u> <u>Greek/Italian observers</u> into Shouf to monitor ceasefire.

- Greeks/Italians have reaffirmed commitment but want further quarantees. Deployment unlikely until Geneva process moves towards conclusion. Yugoslavia initially mentioned with other neutral countries (Austria, India) as possible contributors but proposal shelved; all approached insisted on UN cover.
- 4. <u>US retaliation for bomb attacks</u>. President Reagan remains committed to retaliation but has few realistic options. We and Italians continue to urge restraint. US Deputy Secretary of State, Dam, made clear in talks with Prime Minister on 7 November that US would wish to consult us further. We have received subsequent assurance that no action will be taken until after President Reagan returns to Washington (15 November). Prime Minister stressed in House of Commons on 8 November right of MNF contingents to self-defence.
- 5. <u>PLO</u>. The situation in Northern Lebanon remains unresolved. Arafat and Loyalist PLO have been forced back into Tripoli under heavy fire from rebel PLO groups with Syrian logistical support. A short ceasefire, declared after a delegation of Arab moderates met President Assad in Damascus on 9 November, now appears to have broken down. <u>The Ten</u> made a statement on 9 November deploring the violence, calling for a cessation of hostilities, and reaffirming their commitment to a solution of the Arab/Israeli dispute which included the Palestinians' right to self-determination. If the main body of the PLO were to fall under Syrian influence there would be a move towards more hard-line policies. It would lose the support of moderate Arabs; and the wave of unrest reported in the West Bank, together with Mr Luce's impressions from his visit, confirm that many Palestinians would reject a Syrian-controlled PLO.

Near East and North Africa Department 11 November 1983

BRIEF NO 7

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

IRAN/IRAQ

POINTS TO MAKE

- 1. Interested in impressions of Mrs Planinc's visit to Baghdad in October. Are the Iraqis becoming war-weary?
- 2. UK anxious to see an early end to this conflict.
 Escalation in the Gulf undesirable outcome uncertain.
 Any future role for the Non-Aligned Movement?

Super Etendard

3. Concerned that the use of these aircraft might widen the conflict. Every effort should be made to prevent escalation and involvement of other regional states.

Freedom of Navigation in the Gulf

4. UK concerned to preserve safe passage of neutral shipping. Would deplore actions by either belligerent which threatened this.

ESSENTIAL FACTS

The War

1. New Iranian offensive began along 60 mile front in the Northern sector on 20 October. Iran has made some small gains, especially around Panjwin, which has been evacuated by the Iraqis. Fighting continues. Iranians may now be preparing for further offensive in central sector.

United Nations

2. On 31 October UN Security Council adopted resolution 540 (full text at Annex A) which inter alia affirmed the right of free navigation in international waters around the Gulf and called upon Iran and Iraq to end the war. UK voted in favour of this French-inspired resolution in the interests of Western solidarity and in spite of serious misgivings about the way the exercise had been handled by the French. There were three non-aligned abstentions. The Iranian representative at the UN, Rajaie, said that by adopting SCR 540 the Council had lost its last chance, and his Government was no longer prepared to listen to it. However, he made it clear that his criticisms did not extend to the Secretary-General or the latter's Special Representative, Mr Palme.

Delivery of Super Etendards

3. Iraqi Foreign Minister announced on 2 November that aircraft had arrived in Iraq in October. But still no firm independent evidence that delivery has taken place.

Iraqi Intentions

4. Iraq has threatened to use the aircraft against tankers carrying Iranian oil in the Gulf. Present Iraqi tactics seems to be to increase the level of tension in the area (eg mining

the entrance to Bandar Khomeini, rocket attacks on civilian targets on land) in an attempt to weaken Iran's willingness to continue the war and possibly to provoke Iranian retaliation and pave the way for use of Super Etendards. Iraq has warned that if the Security Council resolution is not scrupulously applied in toto she reserves the right to take any steps deemed necessary to protect her vital interests.

Iranian Intentions

5. Iran has threatened to stop all oil exports from the Gulf if her own oil exports are disrupted. She lacks naval and air capacity to mount a sustained blockade but could disrupt tanker traffic by hit and run attacks or by scattering mines. Will continue the war of attrition on the land.

Oil Supplies/Straits of Hormuz

- 6. Current exports of crude oil through the Straits are about 8.5 mbd against total free world consumption of about44 mbd. Estimated overall deficiency resulting from a complete closure would be at least 4 mbd.
- 7. Such a shortfall could trigger the International Energy Agents (IEA) emergency sharing system, which, coupled with other international agreements, should contain physical problems. But prices would be likely to rise sharply, in the short-term at least.

UK View

8. We are neutral in the war and have not supplied arms to either side. Anxious to see an early negotiated peace and would support any realistic effort to achieve that end.

/Yugoslav View

Yugoslav View

9. Yugoslavia supplies arms to Iraq, though Iran remains a major market for other Yugoslav exports. Mrs Planinc visited Baghdad from 17-20 October and was received by Saddam Hussein. Although Iran/Iraq war was discussed we believe Mrs Planinc put forward no new proposals concerning the Non-Aligned Movement's role in mediation. Saddam Hussein was quoted after the visit as describing the Yugoslavs as 'remarkable friends to Iraq'.

Middle East Department
8 November 1983





Security Council

Distr. GENERAL

S/RES/540 (1983) 31 October 1983

RESOLUTION 540 (1983)

Adopted by the Security Council at its 2493rd meeting on 31 October 1983

The Security Council,

Having considered again the question entitled "The situation between Iran and Iraq",

Recalling its relevant resolutions and statements which, inter alia, call for a comprehensive cease-fire and an end to all military operations between the parties,

Recalling the report of the Secretary-General of 20 June 1983 (S/15834) on the mission appointed by him to inspect civilian areas in Iran and Iraq which have been subject to military attacks, and expressing its appreciation to the Secretary-General for presenting a factual, balanced and objective account,

Also noting with appreciation and encouragement the assistance and co-operation given to the Secretary-General's mission by the Governments of Iran and Iraq,

Deploring once again the conflict between the two countries, resulting in heavy losses of civilian lives and extensive damage caused to cities, property and economic infrastructures,

Affirming the desirability of an objective examination of the causes of the war,

- Requests the Secretary-General to continue his mediation efforts with the parties concerned, with a view to achieving a comprehensive, just and honourable settlement acceptable to both sides;
- 2. <u>Condemns</u> all violations of international humanitarian law, in particular, the provisions of the Geneva Conventions of 1949 in all their aspects, and calls for the immediate cessation of all military operations against civilian targets, including city and residential areas;

S/RES/540 (1983) Page 2 Affirms the right of free navigation and commerce in international waters, calls on all States to respect this right and also calls upon the belligerents to cease immediately all hostilities in the region of the Gulf, including all sea-lanes, navigable waterways, harbour works, terminals, offshore installations and all ports with direct or indirect access to the sea, and to respect the integrity of the (ther littoral States; Requests the Secretary-General to consult with the parties concerning ways to sustain and verify the cessation of hostilities, including the possible dispatch of United Nations observers, and to submit a report to the Council on the results of these consultations; Calls upon both parties to refrain from any action that may endanger peace and security as well as marine life in the region of the Gulf; Calls once more upon all other States to exercise the utmost restraint and to refrain from any act which may lead to a further escalation and widening of the conflict and, thus, to facilitate the implementation of the present resolution; Requests the Secretary-General to consult with the parties regarding immediate and effective implementation of this resolution.

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BRIEF NO 8: ARMS CONTROL AND DISARMAMENT POINTS TO MAKE

INF

- 1. It now looks inevitable that first NATO INF deployments will have to take place as planned by the end of 1983. Little or no prospect that the Russians will agree to the zero option in time to prevent deployments.
- 2. Difficult to judge Soviet reaction to the first deployments. "Counter deployments of new medium range missiles in Eastern Europe would doubtless have taken place in any case. They will not substantially increase military threat to Western Europe.
- 3. It is also quite likely that Russians will carry out threats to leave INF negotiations. This would be an unreasonable and senseless act. NATO afterall has continued to negotiate while Russians were deploying new SS20s at rate of one per week. NATO will continue to be prepared to negotiate at any stage. Likelihood is that Russians will see it as in their interests to resume negotiations before long.
- 4. The Russians' recent proposals show no sign of a shift in their fundamental position: they are still demanding a monopoly of INF missiles in Europe and the total exclusion of such US missiles. This is unacceptable to the Alliance as a whole.
- 5. NATO negotiating position is flexible. Zero option remains objective but an interim agreement could provide for parity in missile warheads at whatever level the Russians wished.

British and French systems

6. The Russians' claim that they should be included in INF is simply a pretext for maintaining their monopoly of INF missiles. It has no basis in logic. British and French systems

are strategic, of a similar type to US and Soviet weapons specifically excluded from INF. The Russians themselves insisted in SALT that British and French systems were strategic.

7. In the broader arms control context we seek no special privileges for special systems. We must naturally take into account that our strategic force represents less than 3% of the strategic nuclear forces available to the USSR. It would be absurd as things stand for us to seek to trade reductions. But we have never said 'never'. If Soviet and US strategic arsenals were to be very substantially reduced and if no significant changes had occurred in Soviet defensive capabilities we would want to review our position and to consider how best we could contribute to arms control in the light of the reduced threat. I have made this position clear in a reply to a message earlier this year from Mr Andropov.

8. START

Strong support for progress in START which is important to the security of both sides. Not pessimistic about chances of progress in 1984. But Russians will have to stop holding progress in START dependant on NATO not deploying new INF.

9. Two sets of amendments to US START proposals in June and October have considerably increased negotiating flexibility: proposals for stringent limits on ICBM warhead numbers have been put to one side and Americans are now prepared to make trade offs between their strategic bombers and Soviet strategic missiles. These offers demonstrate that the Reagan Administration are prepared to talk seriously and meet Soviet concerns.

CDE

9. Attach importance to CDE as forum for negotiating concrete measures which will genuinely enhance confidence and security in Europe. West's proposals will be designed to achieve greater openness about normal patterns of military behaviour and to reduce the risk of surprise attack. They will build on the /measures

measures in the Helsinki Final Act.

- 10. CDE will be affected by overall state of East/West relations. Hope East will respond positively to West's serious and genuine approach. Encouraged by unpolemical atmosphere at Helsinki preparatory meeting.
- 11. Value close working relationship with NNA which developed in Madrid and hope this can continue at Stockholm.
- 12. Can agree to ministerial level opening at Stockholm but have not decided who will go.

MBFR (if raised)

13. Lack of progress disappointing but UK remains committed to negotiating significant reductions and lower equal ceilings on conventional forum in central Europe. Main obstacle remains Eastern refusal to acknowledge its existing superiority. Will have to consider relationship of MBFR to possible further (disarmament) stages of CDE in due course.

ESSENTIAL FACTS

- 1. The Yugoslavs have traditionally played a leading role amongst non aligned countries on disarmament matters; they were for example the progenitors of the first UN Special Session on disarmament in 1978. Their energetic efforts in New York and at the Committee on Disarmament in Geneva have tended to be fuller of rhetoric than realistic content. They will be genuinely concerned about prospects for INF and START and anxious to hear our views on prospects.
- 2. CDE begins in Stockholm on 17 January 1984, preparatory meeting in Helsinki 25 October for 3 weeks scheduled to end on 11 or 14 November. CDE confined to confidence and security building measures (CSBMs) until at least next CSCE follow-up meeting in Veinna in 1986 which will review progress. CSBMs must be militarily significant, politically binding, verifiable and cover the whole of Europe up to the Urals. Helsinki meeting showed NNA having more difficulty in getting their act together at CDE than they had at Madrid. Yugoslavia has not so far taken prominent role. May feel inhibited by mandate restriction to CSBMs, not disarmament proposals.

Defence Department 10 November 1983

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BRIEF NO.9

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983

BI-LATERAL DEFENCE CO-OPERATION

POINTS TO MAKE

- 1. Recognise Yugoslav desire for off-set agreements as an essential feature of current and future defence equipment contracts with the Yugoslav Armed Forces.
 - 2. Confirm that HMG will continue to encourage UK defence contractors to honour their off-set commitments but refer to the considerable efforts which have not succeeded because of inadequate responses from Yugoslav industry.
- 3. Acknowledge the useful work achieved by the Anglo-Yugoslav Joint Committee in developing defence equipment co-operation between Yugoslavia and the UK.
 - 4. Confirm UK's desire to assist the Yugoslav Air Force in the development of a new fighter aircraft for the latter part of this century.
 - 5. Express pleasure at the contract signed in June between Marconi Radar and the Yugoslav Federal Directorate of Supply and Procurement for the supply of radars ultimately destined for Libya. Hope that the current difficulties with Libya over downpayment terms will soon be resolved and confirm UK industry's wish to develop with Yugoslavia the prospects of defence equipment sales to third party countries.

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983

RB 199 ENGINES FOR THE YUGOSLAV COMBAT FIGHTER

LINE TO TAKE (if raised)

1. Please that Yugoslavia is considering the RB 199 as a possible power plant for their proposed fighter and hope that everything is going smoothly.

(If pressed on the Mk 104 variant)

2. Understand that UK officials are in contact with those of the Tornado partners about the release of this engine and associated data.

BRIEF NO.9

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983

ESSENTIAL FACTS

Off- Set

- 1. The poor state of the Yugoslav economy has resulted in an increasing emphasis in the requirement for off-set commitments in contracts with the UK defence industry. The Yugoslavs aim is to impose a commitment of about 30% of the contract value but their application of this contractual tool has been somewhat haphazard. It has been alleged that UK industry has an outstanding off-set commitment with Yugoslavia of some £16.7m. A recent Defence Sales Organisation (DSO) survey has, however, suggested that the outstanding balance is in the region of £13.8m and since the major portion of this (£7.5m) falls to one company, Rolls Royce, the remaining commitment in respect of the rest of the defence industry looks less daunting.
- 2. Off-set, or counter-trade, is an unwelcome but increasing feature of defence sales business throughout the world and UK industry has recognised the need to engage in off-set discussions if contracts are to be secured, this particularly applies to Yugoslavia. The majority of companies who have entered into off-set commitments have strived to honour their obligation by attempting to place contracts with Yugoslav companies both within and outside the defence sector. This is especially true of Rolls Royce. These efforts have, for the most part foundered because of Yugoslav industry's inability to provide adequate response to these enquiries. Quotations have been uncompetitive in terms of price, quality of delivery, or the Yugoslav response has been too late or non-existent (an all too familiar occurence). Thus UK industry faces an uphill struggle in honouring its commitments but to help them in this task the MOD has been looking at the prospects of purchasing Yugoslav goods or services; the prospects re not, however, promising. At present the MOD is investigating the adequacy of a Yugoslav glider for the Air Training Corps (unlikely to be successful) and at the possibility of package holidays in Yugoslavia

for BAOR (a more promising proposition because of BAOR interest).

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3. This normally unlikely topic is inevitably raised by Yugoslav officials at all levels during discussions on bi-lateral defence equipment issues and is therefore likely to arise in similar discussions with Mrs Planinc.

The Anglo-Yugoslav Joint Committee (AYJC)

4. The AYJC was established in 1976 after the signing of an MOU covering defence equipment co-operations between the 2 countries. The Head of Defence Sales (Mr James Blyth) is the UK Chairman. The MOU provides the opportunity for Yugoslavia to discuss and pursue topics of interest with UK industry and Government establishments and the UK aim is to turn this interest into defence contracts in due course. Technical exchanges (usually one way!) are the routine fare of the AYJC but the annual meetings also provide the forum for frank discussions on irksome topics such as off-set, and to provide an over view on the more important sales related activities.

The Yugoslav Combat Fighter (YCF)

5. The Yugoslav Air Force (YAF) wishes to design and build a light, supersonic combat aircraft to enter service in the mid/late 1990s. Since they lack the necessary expertise to produce an advanced system such as this, the YAF has approached several countries in search of the design and manufacturing techniques necessary to achieve their aim. Several UK companies, primarily British Aerospace and Rolls Royce, have made presentations on the facilities and equipments they can offer and the MOD has supported these activites through the AYJC machinery and through assistance by the Embassy staff in Belgrade. It is reported that the YAF are to determine the way ahead with this project by the end of the year. A ''UK solution'' looks promising (the French seem to be the main competitors) but central to the decision will be agreement to the supply of an adequate engine. Tri-national agreement has been obtained to offer the RB 199 Mk 101 but the Yugoslavs are pressing for a later version. The data on the engine required by the YAF for their decision making process is available but there are difficulties over its release (see separate brief). If these are resolved the

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future looks promising but a worrying feature concerns Yugoslavia's ability to fund such an ambitious project. For this reason MOD has suggested that the YAF might consider a joint programme with the Indian Air Force who have a similar requirement in a similar timescale. The Indian CAS has recently visited Belgrade, proposed an MOU and is waiting the imminent Yugoslav response. Cautious optimism would not therefore be misplaced in What could develop into an important contract both in political as well as industrial terms.

Third Country Sales

6. Yugoslavia is currently off ECGD Section 2 cover which inhibits defence sales. However in June 1983 a contract was signed between Yugoslavia and Marconi Radar for the supply of radars (value £87.5m) to form part of a largest deal between Yugoslavia and Libya (Operation SALAAM). This 3rd party involvement permitted a modicum of ECGD support and it is evident that the Yugoslavs would like to extend this type of arrangement since it provides the opportunity for them to earn badly needed foreign currency. UK industry has also recognised the possibilities opened up by the Marconi contract and others (principally) Marconi Comms and Cossor) are exploring the possibilities of similar contracts. This is not the door to Aladdin's cave since there will inevitably be restrictions imposed on some sales prospects. And the radar deal with Libya is not without its problems - the Libyans are seeking to re-negotiate down payment terms. Nonetheless it does provide an alternative defence out-let which is mutually beneficial to Yugoslavia and the UK.

Summary of Significant recent Defence Sales and Prospects

7. Development of Viper engine reheat for Yugoslav ORAO aircraft programme (Rolls Royce) £7.2m 1978

BL 755 Cluster bombs (Hunting) £9.7m

Martello Radars (Marconi Communications) £87m 1983

1982

Prospects for the future include:

Tropospheric Scatter Communication equipment
(Marconi Communications) - to compliment sale of radars to
Libya. (Value £65m)

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IFF (Identification Friend or Foe) Equipment
(Cossor) (Value £80m)

Aid Defence Operations Centre/Sector Operations

Centre (Marconi) (£8 - 10m)

Yugoslav Combat Fighter equipment.

CONFIDENTIAL VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983 RB 199 ENGINES FOR THE YUGOSLAV COMBAT FIGHTER BACKGROUND 1. The Yugoslavs have been looking at RB 199 as a possible power plant for their Light Combat Aircraft for some time and in January of this year, tri-national agreement was given to the release of data and supply of Mk 101 standard engines to them. However, the development of the Mk 104 standard of engine has been widely reported in the aviation press and Yugoslavia is pressing for this engine to be made available to them. The request has been considered within MOD and UK agrees to the release of a similar standard of engine (known as the ''Stage A'') to Yugoslavia on the following terms: a. Release of the 'Stage A' standard of engine for production aircraft in 1993. b. Release of the Mk 101 engine with the extended reheat and analogue central unit of the Mk 104 for use in prototype aircraft in 1989/90. Release of uninstalled engine performance data straight away based on Mk 104 brochure information (though not identified as such). Although the Mk 104 is a UK developed engine it is based largely on the tri-national Mk 103 variant and it was considered expedient to consult our partners informally. German officials are strongly opposed to this release and have indicated that they would advise their Ministers to oppose such a proposal if a request was made formally. We are currently assessing the situation and reviewing our options. Supplementing briefing may well be available before Mrs Planinc's visit. Meanwhile the Yugoslavs are anxious for such a decision as soon as possible. Ministry of Defence November 1983

BRIEF NO: 10

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

RELATIONS BETWEEN DEVELOPING AND DEVELOPED COUNTRIES

Points to Make

PROSPECTS FOR WORLD RECOVERY

1. Now signs that world recovery firmly launched in North America and elsewhere. Developing countries must take advantage of recovery as it proceeds. Markets must be kept open and protectionist trends reversed. Williamsburg Summit and, more recently, Commonwealth Finance Ministers Meeting recognised this.

UNCTAD VI

2. UNCTAD VI the major event in 1983 calendar of continuing discussions between developed and developing countries.

Some modest but useful progress made. Over 20 resolutions adopted by consensus. This outcome owes much to efforts of Mr Mosjov (Yugoslav Federal Secretary for Foreign Affairs) in his role as President of Conference.

DEVELOPING COUNTRY ISSUES

3. Dialogue between industrialised and developing countries continues. Renegotiation of Lomé Convention now started.

Hope Commonwealth Heads of Government meeting at end of month will make an important contribution. UNGA currently discussing world economic issues.

- 4. UK active in international efforts to deal with liquidity problems of developing countries. UK's proposal at IMF Annual Meeting on access accepted. UK also active in promoting consensus on new funding for World Bank and in search for agreement on Seventh Replenishment of International Development Association (IDA 7). Recognise importance of debt problem for some developing countries and playing our part in efforts to deal with it.
- 5. UK stands by Williamsburg formulation on international monetary conference. Look forward to studies which GlO countries will undertake on progressive improvements to international monetary system.

Essential Facts

PROSPECTS FOR WORLD RECOVERY

1. Prospects for 1983 and 1984 are for a solid improvement in international economic climate. Resumption of lasting growth amongst industrialised countries will enable developing countries to export more, increase their earnings, service their debts and invest in the future.

UNCTAD VI

2. Developing countries disappointed at failure to make more progress at UNCTAD VI (6 June - 3 July, Belgrade).

Conference a difficult one. Effective dialogue hampered by UNCTAD's unwieldy procedures. Despite rumours of a walk-out by developing countries, Conference finally adopted more than 20 resolutions by consensus after Mr Mosjov put together compromise package.

DEVELOPING COUNTRY ISSUES

3. Renegotiation of Lomé Convention started 6 October.

Commonwealth Heads of Government to discuss world economic issues in New Delhi (23-29 November) and to consider three Commonwealth economic studies including 'Towards a new Bretton Woods'. G77 have renewed calls at current session of UNGA for launching of Global Negotiations, with focus on two-phase proposal (to leave issues affecting institutional competence to later stage). More details required.

Meanwhile we remain committed to an early launch on basis agreeable to all participants.

4

- 4. UK's proposal at IMF Annual Meeting on access to IMF resources after 8th General Review of Quotas was accepted by Fund's Interim Committee. Question of contributions to Seventh Replenishment of International Development Association unresolved at IMF/IBRD meetings in Washington. Negotiations continuing this month. UK ready to support on basis of fair burden-sharing and within limits of what donors can afford.
- 5. Although part of the East European regional group in the UN, Yugoslavia is also a member of the G77 and the Non-Aligned.
- 6. For Yugoslavia debt see Brief No 13(c).

ECONOMIC RELATIONS DEPARTMENT 8 November 1983

BRIEF NO 11

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BALKAN AFFAIRS

POINTS TO MAKE

Multilateral Balkan Cooperation

1. Cooperation among Balkan states could be a useful stabilizing factor in European security. How do you view prospects?

(<u>If pressed for HMG's view of Balkan Nuclear Weapon-Free</u> Zone)

Remain sceptical about value of nuclear weapon free zones within Europe. Could still be targeted by nuclear weapons based well beyond borders of zones. Prime need is for reductions, not geographical redistribution of nuclear weapons.

Albania

- 2. Prospects for political relations between Yugoslavia and Albania?
- Future of Albania after Hoxha (<u>Hódgeah</u>)?

UK/Albanian relations (if raised)

4. Have made clear to Albania that we would like to establish diplomatic relations without preconditions and sort out long standing problems later. Albanians have

turned us down for the moment. But our offer remains open. (Only if pressed): We may shortly have some fresh proposals to put to the Albanians; you will be briefed in advance of any eventual initiative.

BALKAN AFFAIRS

ESSENTIAL FACTS

Multilateral Balkan Cooperation

1. A number of efforts had been made, particularly by Greece, to promote multilateral cooperation between Greece, Yugoslavia, Romania, Bulgaria, Turkey and Albania.

Yugoslavia welcomes this in principle but believes that the current lack of mutual confidence among the Balkan countries diminishes the chances of useful practical cooperation.

Several meetings of the countries involved, less Albania, have so far produced few results. Yugoslavia has declared its willingness to participate in further talks on a Balkan Nuclear Weapon-Free Zone (see Brief No 8).

Albania

2. Political relations between Yugoslavia and Albania which deteriorated at the time of the unrest in Kosovo in 1981 remain cool. The Yugoslavs nevertheless are well placed to monitor developments within Albania and may have opinions to offer on the likelihood of shifts in Albanian policy in the post-Hoxha period (Enver Hoxha, the Albanian Party First Secretary, is now 75).

UK/Albanian relations

3. Britain has no diplomatic relations with Albania. The restoration of relations has been bedevilled by the twin problems of the so-called "Albanian gold" and the International Court of Justice award of compensation to the UK against Albania for the loss of two British destroyers in the Corfu channel incident in 1946. Albania has refused to

pay this compensation. In 1980 HMG told the Albanians that we were ready to establish diplomatic relations without precondition and without waiting for a resolution of the financial problems which had previously stood in the way. The Albanians have rejected this offer. Together with the US and France, our partners in the Tripartite Gold Commission which has responsibility for the "Albanian gold", we are now studying the possibility of a new initiative which, if successful, could lead to a resolution of the twin problems and eventually to the normalisation of relations between the UK and Albania. We believe the Yugoslavs have been told by the US that the US and UK are interested in improving relations with Albania, and they may know that the restitution of the gold may be part of an offer to the Albanians. We intend to brief the Yugoslav Government in advance of any initiative, which would take the form of an approach to the Albanians by the French, acting as messengers for the UK and US. The Yugoslavs would view with apprehension any significant re-alignment of Albania with either East or West but consider that any major shifts in Albanian foreign policy in the foreseeable future are only a remote possibility.

Macedonia

4. The Macedonian question is a source of current friction between Yugoslavia and Bulgaria. There are 1.8 million Macedonians in Yugoslavia and many fewer in Bulgaria and Greece. The Yugoslavs assert that Bulgaria, with Soviet support, sees Yugoslav Macedonians as Bulgarians and wants to establish a "greater Bulgaria" including Yugoslav Macedonia. The Bulgarians firmly deny any territorial ambitions. During a visit to Greece in October 1983, Mrs Planinc made a reference to the existence of "ethnic minorities" in the Balkans and suggested that such minorities should be a bridge to closer cooperation between Balkan countries. Though this could have been a reference

to Yugoslav relations with Bulgaria and Albania as much as a reference to relations with Greece, the comment caused embarrassment for her Greek hosts who have rejected the idea of the existence of a Slav minority in Greece.

Eastern European Department 9 November 1983

BRIEF NO 12

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

EC-YUGOSLAV RELATIONS

POINTS TO MAKE

 Attach political importance to Yugoslavia's relationship with EC. Have always pressed for helpful EC approach to Yugoslavia.

EC/Yugoslavia Trade Relations

2. UK policy is in general to avoid restrictions in EC/Yugoslav trade.

(<u>As necessary</u>) For example we resist requests for the re-imposition of duties on items covered by tariff ceilings.

(If pressed on tariff ceilings, textiles or other trade issues) Understand you will be seeing Secretary of State for Trade & Industry. Suggest you discuss these specific points with him.

EIB Lending to Yugoslavia

- 3. Glad that Yugoslavia has been able to make good use of 200 million ecu provided in current protocol. Confident that Community will be willing to provide further loans on expiry of current protocol.
- 4. (If pressed for UK support for New Financial Protocol before 1985) Naturally wish to help Yugoslav development efforts. Will look carefully at any Commission proposals. But considerable competition for EIB funds and Yugoslavia has already had generous access. Must also consider impact on Community's other Mediterranean partners.

5. (If asked about additional lending outside the Financial Protocol) Considerable competition for EIB funds. Yugoslavia has already had generous access. But this is a matter for the EIB. It would be for the Bank Staff to make a recommendation to the Board of Directors following an approach from the Yugoslav Government.

Baby Beef

6. Know how important this is to Yugoslavia; we worked hard to bring about improvements in import arrangements for Yugoslav baby beef during UK Presidency. EC/Yugoslavia Cooperation Council Community undertook in May to re-examine this problem. We are happy for them to do so.

BRIEF NO 12

ESSENTIAL FACTS

Cooperation Agreement which gives Yugoslavia preferential access to the EC market for most industrial goods on a non-reciprocal basis except for a few sensitive products (mostly steel and textile). The conditions attached to the right of access are more favourable to Yugoslavia than those she enjoyed under the Generalised Scheme of Preferences before 1980. The Agreement also provides for preferential access for agricultural products, for European Investment Bank loans of up to 200m ecu over 5 years and for cooperation on energy, industrial development and labour matters.

Trade Relations with the EC

2. In signing a Cooperation Agreement with Yugoslavia covering such a range of areas, the Community was deliberately seeking to assist Yugoslav exports and to promote her westward orientation. However, the Yugoslavs have been disappointed by the operation of the agreement and the lack of improvement in their traditional trade deficit with the Community. In particular, they would like to see ceilings on imports of sensitive goods abolished. Once these ceilings are reached, the Community can, but does not have to, reimpose customs duties. We normally oppose reimposition. Mr Tebbit has been fully briefed to cover the detailed aspects of EC/Yugoslavia trade relations.

EIB Lending to Yugoslavia

3. During the EC/Yugoslavia Cooperation Council on 24 May the Yugoslavs asked for access to EIB lending in addition to

the 200m ecu in the current Financial Protocol which will all be committed by the end of this year. The additional funds are required for infrastructure projects and to finance imports of investment goods to assist the re-structuring plans of Yugoslav industry. The Commission had earlier told Mrs Planinc (about whose visit to the Commission Member States were not consulted in advance) that the EIB had powers autonomously to lend money to countries such as Yugoslavia outside the Financial Protocol and that the Bank were, in principle, ready to consider such additional lending. This is primarily a matter for the EIB and its Board of Directors (although the Council would have to approve the accompanying borrowing guarantees) but the Board are most unlikely to agree to any proposal for additional lending at present.

4. All Member States are agreed, and have made clear to the Commission, that they see no grounds for additional lending before the expiry of the current Financial Protocol in 1985. At the Cooperation Council the Community undertook merely to examine the Yugoslav request.

Baby Beef

5. A problem area in EC/Yugoslav relations since Greek accession. Yugoslavia traditionally exported as much baby beef to Greece as to the Nine. To take account of Greek accession, the Community agreed to negotiate a protocol to adapt the 1980 EC/Yugoslavia Agreement. This proved difficult because of Irish and French intransigence. Finally in September 1981 a significant quota increase was agreed for EC imports of baby beef, but to a level slightly lower than Yugoslavia's combined exports to Greece and the Community before Greek accession. Meanwhile, high Yugoslav costs made her baby beef uncompetitive on the EC market and

her trade with Greece all but stopped. The Council therefore agreed in October 1981 to reduce the levy on Yugoslav beef to not more than 50% of the normal third country rate. The UK Presidency worked hard for both these improvements. But the Yugoslavs have still not been able to sell their full quota, partly as a result of the market situation within the Community. At EC/Yugoslavia Cooperation Council in May, the Community undertook to re-examine this problem, but the Commission have taken no further action. An increase in Yugoslav beef imports would be in competition with UK producers and would result in a rise in CAP expenditure in terms of increased intervention costs or export refunds.

European Community Department (External)
11 November 1983

456AAM

Brief No 13(a)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

POLITICAL RELATIONS

POINTS TO MAKE

General

1. Yugoslavia's importance and constructive international activity well recognised in Britain. Firmly support Yugoslavia's independence and non-alignment. Useful to have regular bilateral exchanges; bilateral relations now very good. Important to maintain dialogue in many fields. Glad there are no serious problems to impair further development.

Forthcoming Bilateral Exchanges

2. Value our good relations. Look forward to future exchanges of views. Find them very useful. Perhaps officials could explore possible further areas of cooperation.

(<u>For Secretary of State</u>) Recall meeting with Mr Mojsov in Madrid in September. Look forward to meeting again for substantial political consultations before long.

Emigré Activities (if raised)

3. Recognise your concern but must distinguish between political and criminal activities. Cannot act against former, no matter how strongly we may disagree with views of those concerned. But will not tolerate terrorism. As we have repeatedly made clear we will not abet or condone any attempts to undermine Yugoslav unity.

(If Yugoslavs suggest that our toleration of political activities by Yugoslav emigrés contravenes our commitments under CSCE)

4. CSCE obliges us to refrain from assistance towards terrorist activities directed towards the violent overthrow of the Government by another participating state. No obligation to hamper legal political activities. Would remind you moreover that there is no evidence that emigrés in the UK have infringed our laws. Final Act therefore binds us to respect their freedom of thought.

Asylum case: Aleksa Djilas (if raised)

5. The decision to grant asylum to Aleksa Djilas was taken in accordance with our obligation under the 1951 Convention on the Status of Refugees and 1967 Protocol. Should not be seen as an attempt by HMG to subvert the Yugoslav political system. Our position is clear; we support Yugoslav independence and integrity. Hope Yugoslavs will see this case in context. We see no reason for it to become an irritant in our bilateral political relations.

(<u>if pressed hard</u>) Yugoslav treatment of political opponents inevitably influences public opinion in the West. HMG will not act to restrict legitimate political activity in the UK by those whose views differ from the Yugoslav Government.

Mrs Stana Tomasevic-Arnesen

6. The Prime Minister may wish to offer condolences on the death of Mrs Tomasevic-Arnesen (pronounced Toma-shayvich-arnessen), President of the Federal Chamber of the Federal Assembly, in July of this year.

Zagreb Air Disaster (if raised)

7. Understand there are some discrepancies in UK and Yugoslav views of responsibility for the Zagreb Air Disaster. We have no doubt that our Report gives full and correct version. But not a matter in which Governments should become involved; priority is to achieve early settlement of claims.

POLITICAL RELATIONS

ESSENTIAL FACTS

General

1. Relations with Yugoslavia are good. The only problems are the chronic imbalance in bilateral trade, the activities in the UK of dissident Yugoslav emigres and Yugoslav hypersensitivity to occasional adverse comment in the British Press and media.

Bilateral Exchanges

- 2. There is an outstanding invitation to the Yugoslav Foreign Minister, Mr Mojsov (pronounced Moy-sov) to visit Britain, following Mr Pym's visit as Secretary of State to Yugoslavia in July 1982. The Secretary of State met Mr Mojsov briefly in the margins of the Madrid meeting in September.
- 3. A visit by Mr Rifkind to Yugoslavia next year is being considered although dates have not yet been fixed.
- 4. Other proposed visits to Yugoslavia in 1984 include visits by HRH Princess Anne and the Minister of Sport for the Sarajevo Winter Olympics in February and by the Chief of Naval Staff.

Emigrés

5. The Yugoslavs complain regularly about the activities of dissident emigrés, mostly Croatians, in the UK. The Yugoslavs recognise, when pressed, that we cannot act against purely political activities and that on the whole the Yugoslav emigré community in the UK has given little

cause for complaint. During her visit in 1980 the Prime Minister gave the Yugoslavs some comfort by reaffirming that we would not tolerate terrorism, or support those who attempted to undermine Yugoslav unity.

British Press coverage of Yugoslavia

6. In general, the British Press when it takes an interest in Yugoslavia is not unsympathetic. But the Yugoslavs occasionally complain about unfavourable articles and television reports, especially if they focus on those early post-war years when Yugoslavia's human rights record was worse than it is now. They particularly resent (inaccurate) allegations that they are under the thumb of the Soviet Union and closely associated with the Warsaw Pact.

Asylum Case: Aleksa Djilas

- 7. Aleksa Djilas, the son of Milovan Djilas, a former intimate of Tito but now a stern critic of the regime who lives in Belgrade, was granted political asylum in the UK in August 1983. The Home Secretary was satisfied that Djilas, who has been studying in the UK since 1980, had established a well founded fear of persecution for his political beliefs (as required by the 1951 Convention on the Status of Refugees and the 1976 Protocol) if he were to return to Belgrade. When informed of the Home Secretary's decision by the Embassy in Belgrade the Yugoslavs commented that the case would case a shadow over UK/Yugoslav relations; Djilas would, they said, inevitably abuse his position in the UK by advancing his political propaganda campaign against Yugoslavia.
- 8. In fact the Yugoslav response was framed in milder terms than had been anticipated. It is unlikely that the Yugoslavs will raise this issue during the talks but they may mention it in the margins. If they do, it should be

made clear that we do not wish the case to cast a shadow on our bilateral relations. But the Yugoslavs should be reminded that HMG will not act to restrict legitimate political activity in the UK (Djilas has not been involved in illegal activities in the UK).

Mrs Tomasevic-Arnesen

9. Mrs Tomasevic-Arnesen, who died in July this year, was President of the Federal Chamber of the Yugoslav Federal Assembly. The Prime Minister met her at a working breakfast on the last morning of her official visit to Yugoslavia in September 1980.

Zagreb Air Disaster

10. On 10 September 1976 a British Airways Trident carrying 54 passengers and 9 crew collided with a Yugoslav DC9 carrying 109 passengers and 5 crew over Zagreb. There were no survivors from either aircraft. The UK Final Report, which incorporates the Yugoslav 2nd Report, was published in June this year. We have no doubt that responsibility for the accident rests squarely with Zagreb Air Traffic Control. The Yugoslavs have tried to suggest, however, that some blame must lie with the BA crew for their failure to carry our correct observation procedures. There is no evidence to support this and it may be that the Yugoslavs are attempting to spread the blame for the accident, thereby reducing Yugoslav liability when the claims are settled.

Eastern European Department 9 November 1983

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VISIT OF THE PRESIDENT OF THE FEDERAL EXEXUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BILATERAL QUESTIONS

(B) COMMERCIAL RELATIONS

POINTS TO MAKE

- When Dr Bojanic (Yugoslav Federal Secretary for Foreign Trade)
 met Mr Peter Rees a year ago in London, the latter told him of HMG's
 wish to encourage Yugoslav trade with the UK.
- 2 Glad to see that over the past year, Yugoslav exports to the UK have in fact shown a marked improvement. (over 60%)
- Glad also that various projects in Yugoslavia involving UK firms eg the Zorka tinplate works at Sabac are progressing satisfactorily. Britain values the long and friendly record of trade and industrial co-operation with Yugoslavia.
- The Prime Minister has heard about the European Community
 "Business Week" held in March 1983. Does Mrs Planinc feel this
 achieved a useful purpose in encouraging trade between Yugoslavia
 and Member States?



VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BILATERAL QUESTIONS:

(B) COMMERCIAL RELATIONS

Essential Facts

1 For many years Yugoslavia has had a large trade deficit with the UK and other EC countries; brief details of bilateral trade are as follows:

				Cont.			
	1978	1979	1980	1981	1982	Jan- 1982	-Sept 1983
UK Exports	160.9	173.8	176.4	195.1	158.6	122.3	106.9
UK Imports	37.9	51.3	47.8	42.5	52.1	36.5	59.5
Balance	122.4	122.5	128.6	152.6	106.5	85.8	47.4

The ratio of Yugoslav exports to the UK cf UK exports has improved (from the Yugoslav point of view) in recent months. It seems this may be due to changes in exchange rates which have made Yugoslav exports more competitive. There has been a gradual decline in the UK's share of the Yugoslav market. Machinery and manufactured goods still form the bulk of our export trade, while Yugoslavaexports in particular to the UK wine, furniture and clothing.

- Opportunities for British companies have declined in the traditional industrial sectors because of Yugoslavia's acute shortage of foreign exchange and unavailability of ECGD cover except on short term but business should nevertheless continue in the mining, energy, agriculture and food processing sectors together with spare parts and equipment for existing installations. Large projects are likely to be few and far between. Co-operation continues satisfactorily on existing projects, eg the Zorka tinplate works (Davy McKee and BSC).
- 3 A meeting of the Anglo-Yugoslav Trade Council is due to take place during early 1984 in Belgrade.

Overseas Trade Division 4/1B Department of Trade & Industry November 1983

Brief No 13(c)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC, 15-18 NOVEMBER 1983.

FINANCIAL AND ECONOMIC RELATIONS

POINTS TO MAKE

- 1. Glad that we were able to make a special contribution to the 1983 financial cooperation package. Governmental loan unprecedented. Serves as tangible evidence of our support at a moment of particular difficulty.
- 2. Impressed by efforts made by Federal Executive Council to implement economic reform and stabilisation. External assistance can support but not substitute for internal economic adjustment as we ourselves have had to learn. Understand you have constitutional problems in this area. How do you assess progress and prospects?
- 3. Ready to play our full part in framework of the further multilateral discussions on 1984 arrangements, beginning in Geneva on 18 November. Accept your wish to avoid the Paris Club.
- 4. Premature to discuss precise nature of new arrangements. Believe support should focus on the central problem of meeting the needs and reducing the strains arising from the weight of debt maturities. Will work for widespread cooperation in dealing with this.
- 5. Existing UK credit commitments already very large. Understand that some £130m of UK medium/long term credit was taken up in 1983 and £115m is due to be disbursed in 1984. In addition the facility for £20m short term credit will stay in place.

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FINANCIAL AND ECONOMIC RELATIONS

ESSENTIAL FACTS

- 1. The UK's financial and economic stake in Yugoslavia is substantial. Of the total external debt of \$19bn, unguaranteed claims by British owned banks are \$0.9bn and ECGD the largest official creditor has \$1.2bn at risk.
- 2. Earlier this year we participated in a \$5bn assistance operation for Yugoslavia involving Governments, banks and international organisations. In addition to the economic dimension, the objective was to demonstrate practical support for Mrs Planinc's Government in its efforts to avoid a major collapse and prevent the growth of instability in Yugoslavia which could be damaging for Western political and strategic interests.
- 3. Under the assistance package, commecial banks agreed to roll over short term loans (\$0.8bn), refinance \$1bn of medium term maturities and provide \$600m of new money; the Bank for International Settlements provided short term bridging finance of \$500m; the IMF and World Bank agreed to advance some \$900m and 15 Western Governments pledged \$1.3bn of finance and new export credit. HMG's contribution comprised an outright Government loan of £38m, ECGD quarantees for \$40m of medium term bank loans to refinance payments due to UK exporters, plus £20m of revolving short-term cover. Although some other Governments provided more in volume terms, much of it was in the form of tied export credits which the Yugoslavs have been unable to use The timelines and high quality of the UK contribution has had an excellent effect on bilateral relations.
- 4. Despite progress in economic reform and adjustment during 1983, on the basis of an IMF programme, there is

likely to be a financing gap of about \$2.5bn in 1984. A requirement of this magnitude will need to be met by further multilateral arrangements rather than separate bilateral understandings. The normal recourse for countries in similar difficulties is to debt rescheduling in the Paris Club, but as in 1983, the Yugoslav Government would regard this as a political defeat. They are instead seeking another special assistance programme involving new finance from Governments, and banks.

5. Our interest is to steer Yugoslavia away from unrealistic expectations of new finance and towards arrangements concentrating on debt restructuring (suitably dressed up to avoid the stigma of rescheduling, taking place outside the Paris Club, and granted on appropriate terms). Having demonstrated Western good faith through the exceptional help given in 1983, it should be possible to encourage the Yugoslavs to adopt a more normal approach to their problem in 1984. Debt restructuring should be an adequate and efficient means of meeting the financing requirement provided (as could be expected) it was done by banks as well as all Governments and the IMF and World Bank continued their support. It would ensure equitable burdensharing among all parties (the UK has done more than most in 1983). To limit support in this way would maintain pressure on the Yugoslavs to accept a tight IMF programme designed to tackle the underlying economic difficulties. It would also be very difficult for us (and some others) to provide new credit. There are Public Expenditure and wider debt-management policy problems about another Governmental financial loan; whilst the considerations which precluded new medium term export credit in 1983 remain: ECGD's exposure is already very high with loan drawings in respect of existing projects involving UK supplies and contractors amounting to £130m in 1983, and an expected £115m in 1984.

6. Multilateral discussions between 15 Western
Governments, the IMF and the Yugoslavs will begin on 18
November in Geneva. It would be premature to specify the
precise amount and nature of the UK contribution in 1984
until a common Western position is agreed in the light of
the various financial and political factors. At present,
while most countries and the IMF share the view that the
main thrust of Governmental help should be on restructuring
of debt, there is likely to be some pressure, particularly
from the Americans, for new export credit to be provided
also.

Eastern European Department 9 November 1983

BRIEF NO 13(d)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

CULTURAL RELATIONS

Points to Make

- 1. We value our long standing cultural links with Yugoslavia.
- 2. We are pleased that exchanges under the present two year cultural programme (1982/83) are working well and look forward to negotiating the next programme in Belgrade next February.
- 3. Official exchanges are important. But we particularly welcome the ever-increasing number of exchanges and links outside the official programme, especially those between universities and institutions in our two countries.
- 4. We are glad we were able to allocate £20,000 for Yugoslav scholars in 1984/85 under the FCO's new Discretionary Awards Scheme.

Cultural Relations Department 8 November 1983 CULTURAL RELATIONS

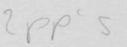
Essential Facts

- 1. The British Council began its work in Yugoslavia in 1936 and since the War has operated there much as it does in Western Europe. The Anglo-Yugoslav Cultural Convention was signed in Belgrade on 27 January 1966. Its intention was to reaffirm the importance which both Governments attached to existing relations and to provide a means of giving those relations further expression. Under the Convention the British Council was formally designated as the 'appropriate institution' on the UK side to deal with the two year Executive Programmes. The Yugoslavs have not nominated an institution on their side, and rely upon their Embassy in London. The next programme is to be negotiated in Belgrade from 27 February to 2 March 1984.
- 2. Sir John Burgh, the Director General of the British Council, and Lady Burgh accepted an invitation from the Federal Institute to visit Yugoslavia in October 1983. Their visit was very successful. Sir John Burgh has reported the great interest in Yugoslav establishments of higher education in further developing links with colleagues in Britain.
- 3. Educational links are active. Under the British Council's Travel Grants Scheme there have been 50 visits by Yugoslav academics to Britain and 20 visits by British academics to Yugoslavia in the past calendar year. Nine Yugoslav scholars visited Britain and eight British scholars visited Yugoslavia in 1982/83 under the executive programme.
- 4. The British arts have also been active in Yugoslavia during the present programme. Events have included concerts and plays performed in various Yugoslav cities by the London Bach Orchestra and the Brighton Youth Orchestra, and by the Actors Touring Company, the New Shakespeare Company and the English Language Theatre. British poets, Fleur Adcock,

Linton Kwesi Johnson and John Cooper Clarke, have also visited Yugoslavia. The Age of Shakespeare Exhibition was displayed throughout Yugoslavia from December 1982 until March 1983, followed by an Exhibition of Henry Moore Graphics between May and October 1983. On the Yugoslav side, an exhibition of Beehive Paintings from Slovenia has been on display at the Horniman Museum since August and an exhibition of Montenegran Folk Art will open there on 8 December.

5. The then Foreign and Commonwealth Secretary, Mr Pym, announced in February 1983 new measures of support for overseas students over the next 3 years. One of the new measures of support is the FCO administered Discretionary Awards Scheme. Under the Scheme £20,000 has been allocated to Yugoslavia to enable Yugoslav students to study in Britain during 1984/85.

Cultural Relations Department 8 November 1983





Foreign and Commonwealth Office London SW1A 2AH

11 November 1983

Vear John

Visit of Yugoslav Prime Minister

Further to my letter of today about this visit, the Yugoslav Embassy has proposed that Mrs Planinc's full delegation of 8 should attend the plenary talks with the Prime Minister, as follows:

Mr Z Kovacevic: Member of the Federal Executive Council

Mr Mirko Ostojic: Deputy Federal Secretary for Foreign Affairs

Mr D Stamenkovic: Ambassador of the Socialist Federal Republic of Yugoxlavia to UK

Mr K Alijagic: Deputy Federal Secretary for Foreign Trade

Mr D Kontic: Foreign Affairs Adviser to the President of the Federal Executive Council

Mr V Jovanovic: Director of the West European Department in the Federal Secretariat for Foreign Affairs

Chief of Protocol of the Federal Executive Mr J Premeru: Council

Mr M Stojanovic: Minister-Counsellor, Yugoslav Embassy

The Yugoslav Embassy have proposed that Mrs Jelka Brajovic (interpreter) and Mr Kontic (notetaker) should attend the tete-a-tete talks at 1115 to 1145 if this is acceptable to the Prime Minister.

I am copying this letter to John Kerr (HM Treasury) and to Jonathan Rees (Department of Trade and Industry).

you ever,

P F Ricketts)
Private Secretary

Ohr Counts (P F Ricketts)

A J Coles Esq 10 Downing Street



Foreign and Commonwealth Office London SW1A 2AH

11 November 1983

Dear John,

Visit of Yugoslav Prime Minister

We agreed that I would write to let you have our recommendations for the UK team at the Plenary talks which the Prime Minister will be holding with Mrs Planinc from 1145 to 1300 on Wednesday 16 November.

In addition to the Prime Minister and yourself, we suggest that the following should attend: the Foreign Secretary, Sir J Bullard, Mr Scott (HM Ambassador at Belgrade) and Mr Cartledge. We understand that Mr Channon would be available to attend the talks if the Prime Ministr wished, together with Mr Littler (HM Treasury).

I am copying this letter to John Kerr (HM Treasury) and to Jonathan Rees (Department of Trade and Industry).

You ever Peto Cickelts

(P F Ricketts) Private Secretary

A J Coles Esq 10 Downing Street Mugoslavia: Vierto PM 6/82

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10 DOWNING STREET 11 November 1983 From the Private Secretary Visit of the Yugoslav Prime Minister Thank you for your letter of 8 November. I suggest that you advise the Yugoslavs that Mrs. Planinc's speech at lunch here on 16 November should last for about 4-5 minutes. I think that the Prime Minister might be agreeable exceptionally on this occasion to the circulation of texts of the speeches. But she would rather see Mrs. Planinc's speech before approving the text of her own. Is it possible for you to obtain a text for me urgently? A. J. COLES Roger Bone, Esq., Foreign and Commonwealth Office.

PRIME MINISTER

VISIT OF YUGOSLAV PRIME MINISTER

We have a small problem about the lunch. Mrs. Planinc wants to deliver a prepared speech - and I expect it will turn out to be rather formal.

The FCO have suggested that, to avoid the need for interpretation, the texts of the two speeches should be translated in advance and copies of the speeches given to

I am most reluctant that speech-making at lunches of this kind in No. 10 should become more formal than usual - it would not improve the occasion. But in this instance, given the language difficulty, would you agree to handing out texts

all the participants at the lunch.

And, if so, are you content with the attached text?

A.J.C. cue hers frist!

of the speeches?

It gives me great pleasure today to welcome you to Britain. I vividly remember my own three visits to your country, as leader of the Opposition in 1977 and then twice as Prime Minister in 1980. In May of,1980 I attended the moving ceremony of farewell to that great Yugoslav statesman, President Tito; and in September I was privileged to pay the first official visit to Yugoslavia by a British Prime Minister in office. So I am glad that you are now here in London to return my earlier visits to your country and to maintain our excellent bilateral contacts, especially so since we both belong to that small but distinguished band of women Prime Ministers.

Madam Prime Minister. Our talks today covered a wide range of world problems. Our discussions helped us better both to understand each other's views and also, more importantly, to strengthen, our mutual resolve to continue working for a more peaceful, prosperous and just world.

As European nations, we share responsibility to pursue the search for solutions to such great international problems as the Middle East, Southern Africa and above all disarmament. We may not be able to act alone, but, with our respective partners, we can use our influence to persuade others of the need to live in peace, without recourse to aggression. You have played over the years a notable part in the Non-Aligned Movement, not only as one of its founder members but as one of its most eloquent exponents and defender of its founding principles. We may not always agree with the stands taken by the Non-Aligned Movement as a whole, but we recognise that the great influence of President Tito and his successors has been a powerful force working to ensure that the Non-Aligned Movement remains truly non-aligned.

The fact that there are so many areas where we can agree shows that interests and objectives can be shared by countries of greatly differing political systems and traditions. And it is precisely because our views do not

coincide on all issues that exchanges and discussions between our two countries are so valuable. Nowhere is this more evident than in the complicated field of economics and finance. In recent years all of us in Europe have had to face up to some harsh economic realities in the worst world recession since the War. I should like, Madam Prime Minister, to pay tribute to the determined steps that you and your Government have been taking in the economic field since you came to office. In present circumstances, when loud calls come from some quarters for protectionist solutions, Yugoslavia has chosen a path to economic stability based on more trading, more openness to the outside, but also on internal efficiency, self-reliance and the prompt settlement of international obligations. This is a strategy that Britain has welcomed and supported. We have played an active part with Yugoslavia's friends in providing measures of financial help and relief to back up your stabilisation programme. We hope that our contribution gives tangible evidence of the importance we attach to the independence and future prosperity of non-aligned Yugoslavia.

Trade is also a significant element in our bilateral relations. Through a higher level of trade in both directions, we can create mutual economic benefits and promote personal contacts. We accept that Yugoslavia has been concerned about the imbalance in our visible bilateral trade. We therefore welcomed the visit paid by your Foreign Trade Minister, Dr Bojanic (pron. Boyaneech), to the United Kingdom last year, and the useful opportunity for further discussions which my colleague Paul Channon had during the UNCTAD meeting in Belgrade last summer.

Madam Prime Minister. It is heartening that our close relationship is being maintained during a period of uncertainty on the international scene. Your visit is a significant contribution to that relationship. I am therefore delighted to welcome you and your party to the United Kingdom. I raise my glass to you, Madam Prime Minister, to the Yugoslav people and to continued friendship and cooperation between Britain and Yugoslavia.

YUGOSLAVIA VIIV of Typo



Foreign and Commonwealth Office London SW1A 2AH

8 November 1983

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Visit of Yugoslav Prime Minister

We have agreed with the Yugoslavs that there should be no joint communique for Mrs Planinc's visit. Mrs Planinc will be making a major speech at the Mansion House on 17 November which will probably concentrate on economic and financial matters. The only occasion which offers an opportunity for a substantial statement by HMG is the Prime Minister's lunch on 16 November. We understand that Mrs Planinc would also like to deliver a prepared speech at the lunch.

I enclose a first draft for the Prime Minister's consideration. It has not been seen by Sir G Howe: I shall be showing him a copy in his next box.

I should be grateful to know whether the Prime Minister is content to have translations of the two speeches made available, to avoid the need for consecutive interpretation. It would also be helpful to have some guidance to offer to the Yugoslavs on how long Mrs Planinc's speech should last.

(R B Bone)

Private Secretary

A J Coles Esq 10 Downing Street

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lar Bernard Ingham

10 DOWNING STREET

From the Private Secretary

24 October 1983

Visit of Yugoslav Prime Minister

Thank you for your letter of 19 October.

The Prime Minister agrees to give a 15 minute interview to RTV Belgrade in connection with the visit of the Yugoslav Prime Minister to London next month.

It would be helpful if you could be in touch with Bernard Ingham about the timing of and briefing for the interview.

A. J. COLES

R.B. Bone, Esq., Foreign and Commonwealth Office.

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19 October, 1983

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Visit of Yugoslav Prime Minister

As you know, Mrs Planinc, the Yugoslav Prime Minister, will be visiting Britain from 15-18 November at the invitation of the Prime Minister. In connection with Mrs Planinc's visit, HM Ambassador in Belgrade had received a request from RTV Belgrade asking for a 15 minute interview with the Prime Minister, to be broadcast on Yugoslavia's main evening news. The interviewer would be Nikola Vitorovic, RTV Belgrade's senior commentator who is responsible and welldisposed and speaks good English.

Such an interview would present a first class opportunity of putting Britain, our achievements and policies firmly before the Yugoslav public. More generally, it provides an opportunity to restate the West's case to the Yugoslavs, particularly on disarmament and East/West relations, and to draw attention to British support for Yugoslavia's efforts at economic stabilisation. Given Yugoslavia's leading position in the Non-Aligned Movement, it is also possible that such an interview, if it were given wide publicity in Yugoslavia, could provide an opportunity to get a message through to the Movement as a whole.

The Foreign and Commonwealth Secretary therefore recommends that, if at all possible, the Prime Minister agree to this interview.

(R B Bone)

Private Secretary

A J Coles Esq 10 Downing Street

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22 July 1983

Visit of Yugoslav Prime Minister

Thank you for your letter of 21 July. The programme set out in your letter is acceptable.

AJC

Roger Bone Esq Foreign and Commonwealth Office

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Foreign and Commonwealth Office N. Flale London SW1A 2AH to the steel all jet? 21 July, 1983 Visit of Yugoslav Prime Minister Thank you for your letter of 29 June about the visit of Mrs Milka Planinc. I am sorry we have not replied earlier but we have only just received a reply from the Yugoslav Government agreeing to a visit from the afternoon of 15 November until the evening of 18 November. I hope we can now confirm arrangements for talks, and a lunch given by the Prime Minister, on 16 November. A possible programme might be: 1115 - 1145: Tete-a-tete talks with the Prime Minister 1145 - 1300 Plenary talks 1300 - 1440 Lunch Would you let me know whether these timings are acceptable. (R B Bone) Private Secretary A J Coles Esq Private Secretary 10 Downing Street

Yoyd Same: Vend APM Yoyd Pavia Jue 82 Received.

29 June 1983

Visit of Yugoslav Prime Minister

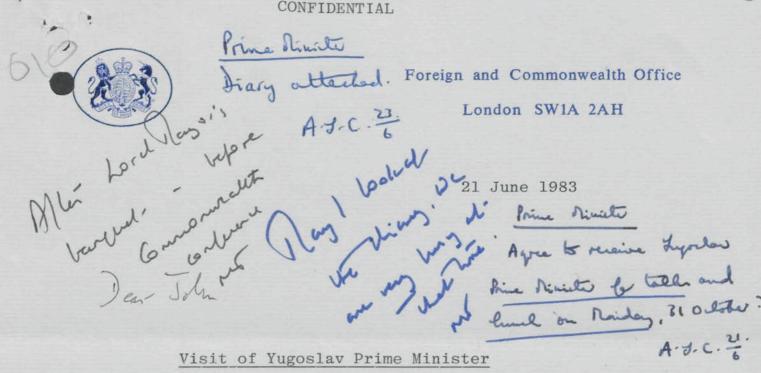
Thank you for your letter of 21 June. The Prime Minister would like to establish a suitable new date for the visit by Mrs. Planiac but her diary for October and November is already very full. We therefore hope that Mrs. Planiac could be in London on 16 November when the Prime Minister could offer talks and lunch. Could you please let me know whether a visit built around this date is possible.

J OHN COLES

Brian Fall, Esq., Foreign and Commonwealth Office.



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You will remember that the visit of the Yugoslav Prime Minister, Mrs Milka Planinc, which was to have taken place from 17 to 20 May, was postponed because of the General Election. I enclose a copy of the message which the Prime Minister sent to Mrs Planinc in which she expressed the hope that it would prove possible to arrange another date for the visit reasonably soon after the election.

Informal soundings of the Yugoslav Embassy here have suggested that October or November would be convenient for Mrs Planinc. I should be grateful to learn whether a visit at about that time would in principle be convenient for the Prime Minister, and if so whether you could suggest two or three alternative dates which we could put to the Yugoslavs.

The programme which had been arranged for Mrs Planinc at 10 Downing Street on 18 May was as follows:

1115 - 1145 Tête-à-tête talks

1145 - 1300 Full talks

1300 - 1440 Lunch

I hope it will be possible to arrange something along the same lines.

> Adus evas (B J P Fall) Private Secretary

A J Coles Esq 10 Downing Street DD 101100Z BELGRADE
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TO IMMEDIATE BELGRADE
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MRS PLANINC'S VISIT

1. FOLLOWING IS TEXT OF MESSAGE FROM THE PRIME MINISTER TO MRS MILKA PLANING, PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA.

'YOU WILL HAVE HEARD THAT ON 9 MAY I RECOMMENDED TO HM THE QUEEN. THAT SHE DISSOLVE PARLIAMENT IN TIME FOR THERE TO BE A GENERAL ELECTION HERE ON 9 JUNE.

I AM PARTICULARLY SORRY THAT THIS DECISION MEANS THAT I MUST ASK YOU TO POSTPONE YOUR VISIT TO BRITAIN PLANNED FOR 17-20 MAY. I WAS LOOKING FORWARD TO OUR DISCUSSIONS AND ALSO FOR AN OPPORTUNITY OF RETURNING THE GENEROUS HOSPITALITY WHICH I RECEIVED IN YUGOSLAVIA IN 1980. WITH YOUR KNOWLEDGE OF HOW OUR POLITICAL SYSTEM WORKS, YOU WILL UNDERSTAND THAT IT WOULD BE DIFFICULT FOR A VISIT AT THE TIME PLANNED TO MAKE THE IMPACT THAT WE WOULD BOTH DESIRE.

I HOPE THAT IT WILL PROVE POSSIBLE TO ARRANGE ANOTHER DATE FOR YOUR VISIT REASONABLY SOON AFTER THE ELECTION'.

PYM

NNNN

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MR L.F.T. SMITH, BANK OF ENGLAND

PR

PS/MR RIFKIND

PS/PUS

MR JAMES

MR EVANS

MR THOMAS

Wednesday 14 September

1130

Perform opening ceremony of BPs Magnus Oilfield
Britannic House

Buffet Lunch

Thursday 15 September - overseas for 2 weeks

Thursday 29 September
Return overseas

Tuesday 11 October - Thursday 13 October

Party Conference

Friday 14 October

Address Party Conference

Wednesday 19 October

1830-2000 Reception for Red Cross

No.10

Thursday 20 October

Depart for tour +DT

Friday 21 October

Regional Tour +DT - western area

Wednesday 26 October

Lunch for State Visit +DT 1830-2000 Reception for Manpower Services Community Programme No.10

Thursday 27 October

State visit dinner +DT

COPY NO. 13

Friday 28 October

Finchley Ladies Lunch

Surgery

Evening Finchley

Monday 31 October

1830-2000 Reception for Impact 80s

No.10

Wednesday 2 November

Unveil Mountbatten Statue

Reception

Lunch for VIPs re Mountbatten Unveiling

Lancaster House or Banqueting Hall

Monday 7 November

1830-2000 Reception for Entrepreneurs +DT

No.10

Wednesday 9 November

1300 for 1315 Lunch for Industrialists

Friday 11 November

Half day visit to London Marginals

Saturday 12 November

1100 Finchley Autumn Fair

Afternoon Constituency engagements

British Legion Remembrance Concert

Sunday 13 November

Remembrance Sunday +DT

Monday 14 November

Lord Mayor's Banquet +DT

Wednesday 16 November

1830-2000 Reception for Area Chairmen and wives - National Union Officers and wives No.10

Thursday 17 November

Depart for tour +DT

Friday 18 November

Regional Tour - S East area +DT

Wednesday, 23 November - 30 November

CHOGM

Thursday, 1 December

Diplomatic Reception, Buckingham Palace

Friday, 2 December

Attend Churchill Songs at Harrow School + DT

Monday, 5 December/Tuesday, 6 December

European Council, Athens

Wednesday, 7 December

Dine with Unionist Club, House of Commons

Friday, 9 December

1300 Lunch for Industrialists

Saturday, 10 December

Distribute Fuel Vouchers, Finchley Old Peoples' Welfare Party

Thursday, 15 December, /Friday, 16 December

Regional Tour, Wessex Area, + DT

PRIME MINISTER'S PERSONAL MESSAGE SERIAL No. TGE/83 TOP COF CC MASTER CONFIDENTIAL OPS 7436 - 1DD 101100Z BELGRADE GRS 166 ENU 027/1 CONFIDENTIAL DESKBY 101100Z 12 MAY 1983 FM FCO 101030Z MAY 83 GTRY TO IMMEDIATE BELGRADE INDEX ction Taken TELEGRAM NUMBER 86 OF 10 MAY MIPT MRS PLANINC'S VISIT 1. FOLLOWING IS TEXT OF MESSAGE FROM THE PRIME MINISTER TO MRS MILKA PLANINC, PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA. 'YOU WILL HAVE HEARD THAT ON 9 MAY I RECOMMENDED TO HM THE QUEEN THAT SHE DISSOLVE PARLIAMENT IN TIME FOR THERE TO BE A GENERAL ELECTION HERE ON 9 JUNE. I AM PARTICULARLY SORRY THAT THIS DECISION MEANS THAT I MUST ASK YOU TO POSTPONE YOUR VISIT TO BRITAIN PLANNED FOR 17-20 MAY. I WAS LOOKING FORWARD TO OUR DISCUSSIONS AND ALSO FOR AN OPPORTUNITY OF RETURNING THE GENEROUS HOSPITALITY WHICH I RECEIVED IN YUGOSLAVIA IN 1980. WITH YOUR KNOWLEDGE OF HOW OUR POLITICAL SYSTEM WORKS, YOU WILL UNDERSTAND THAT IT WOULD BE DIFFICULT FOR A VISIT AT THE TIME PLANNED TO MAKE THE IMPACT THAT WE WOULD BOTH DESIRE. I HOPE THAT IT WILL PROVE POSSIBLE TO ARRANGE ANOTHER DATE FOR YOUR VISIT REASONABLY SOON AFTER THE ELECTION'. PYM NNNN DISTRIBUTION COPIES TO LIMITED PS/CHANCELLOR OF THE EXCH EESD PS/SOFS FOR TRADE

PS/SOFS FOR SCOTLAND

MR L.F.T. SMITH, BANK OF ENGLAND

PCD

NEWS D

PS/PUS MR JAMES MR EVANS MR THOMAS

PS/MR RIFKIND

FIE /1/2

10 May, 1983

VISIT OF YUGOSLAV. PRIME MINISTER

Thank you for your letter of 9 May. The Prime Minister has approved the proposed message from herself to Mrs Planinc subject to certain minor amendments. The final text of the message is enclosed with this letter and I should be grateful if you could arrange for its despatch.



R. Bone, Esq., Foreign and Commonwealth Office

1



Foreign and Commonwealth Office London SW1A 2AH

9 May 1983

Jour Shi,

Cancellation of Visit of Yugoslav Prime Minister

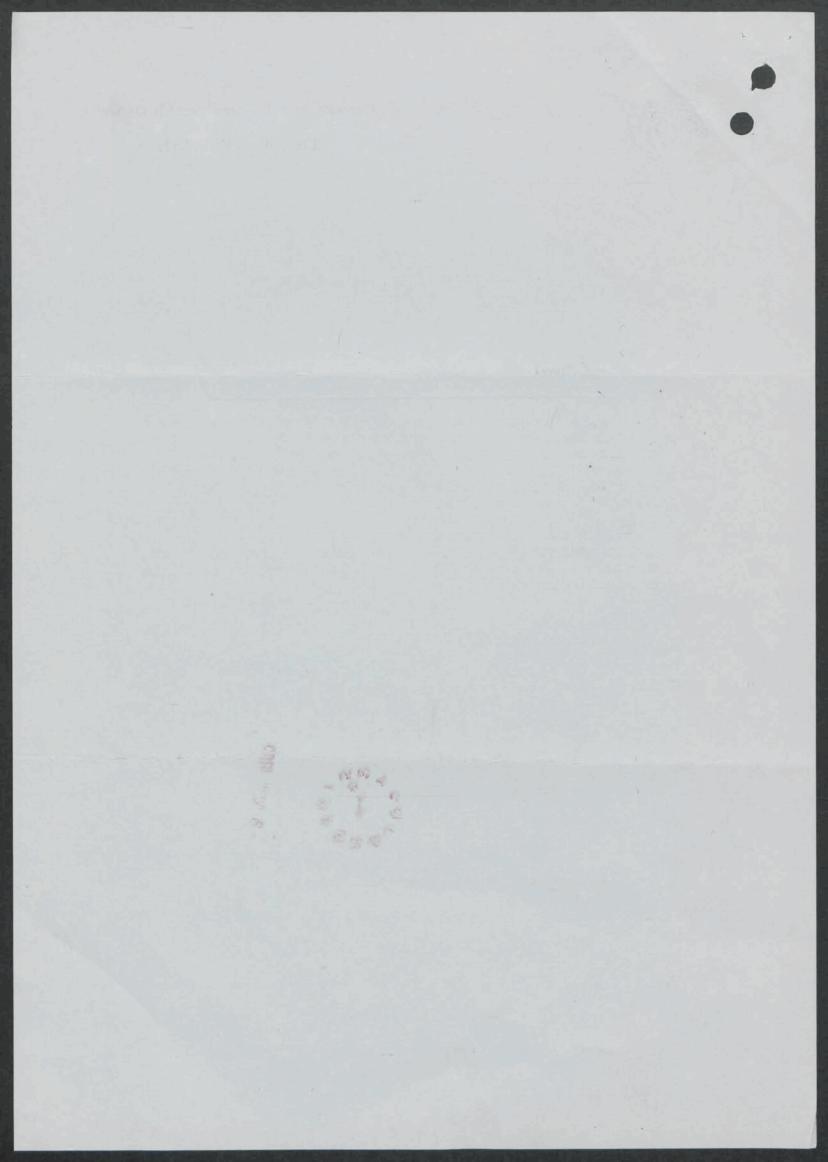
Following the decision to hold the General Election on 9 June you asked for a draft message from the Prime Minister to Mrs Planinc expressing regret at the need to postpone the latter's visit planned to take place from 17-20 May. I enclose a draft for the Prime Minister's consideration.

Copies of this letter and enclosures go to the Private Secretaries to the Chancellor of the Exchequer, Secretary of State for Trade and the Secretary of State for Scotland.

le m

(R B Bone) Private Secretary

A J Coles Esq 10 Downing Street



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[TEXT]

MIPT

MRS PLANINC'S VISIT

1. Following is text of message from the Prime Minister to Mrs Milka Planinc, President of the Federal Executive Council of the Socialist Federal Republic of Yugoslavia.

'You will have heard that on 9 May I recommended to HM The Queen that she dissolve Parliament in time for there to be a General Election here on 9 June.

I am particularly sorry that this decision means that I must ask you to postpone your visit to Britain planned for 17-20 May. I was much looking forward to of our discussions and also for an opportunity for returning

Copies to:-

the generous hospitality which I received in Yugoslavia in 1980. I know, however, that With your knowledge of how our political system works, you will understand that it would be difficult for a visit at the time planned to make the political impact that we would both desire.

I of course hope that it will prove possible to arrange another date for your visit reasonably soon after the Election.'

It affects the Sut foodelied on RESTRICTED GR 150 lune : RESTRICTED A. f. C. 2/4. FM BELGRADE 200930Z APR 83 TO PRIORITY FCO TELNO 075 OF 20 APRIL 1983 MY TELNO 62: MRS PLANING 1. I HAVE NOW HEARD FROM THE PRIME MINISTER'S OFFICE THAT MR PLANING WILL BE ACCOMPANYING HIS WIFE ON THIS VISIT. 2. WE KNOW VERY LITTLE ABOUT, AND THIS MAY INDEED BE THE FIRST OCCASION WHEN HE WILL HAVE APPEARED PUBLICLY, CERTAINLY ON A FOREIGN OCCASION. THE PRIME MINISTER JEALOUSLY GUARDS THE PRIVACY OF HER PRIVATE LIFE, AND HER HUSBAND HAS PLAYED NO PART IN HER POLITICAL CAREER. HE IS A SLOVENE AND RETIRED ABOUT TWO YEARS AGO FROM HIS JOB AS AN ENGINEER WITH THE ZAGREB ENTERPRISE "MONTER". HE MAY THEREFORE BE INTERESTED TO SEE SOMETHING OF BRITISH INDUSTRY DURING MRS PLANINC'S OFFICIAL ENGAGEMENTS IN LONDON. BUT THE PRIME MINISTER'S OFFICE HAVE UNDERTAKEN TO FIND OUT FOR ME WHETHER HE HAS ANY SPECIAL WISHES AND I WILL REPORT AS SOON AS POSSIBLE. SCOTT. LIMITED COPIES TO :-EESD OT4/DOT PED NEWS D PS PSIMR RIFKIND PSIPUS SIR J BULLARD COPIES SENT TO MK GOODISON No. 10 DOWNING STREET RESTRICTED

Mugoslawia



Treasury Chambers, Parliament Street, SWIP 3AG 01-233 3000

10 March 1983

J E Holmes Esq Foreign & Commonwealth Office LONDON SWIA 2AH

Sew John,

VISIT BY THE YUGOSLAV PRIME MINISTER

Thank you for sending me a copy of your letter of 28 February to John Coles.

Your suggestion that the Chancellor offer a meeting on 19 May causes no planning problems.

A copy of this letter goes to John Coles.

J O KERR

Mugoslavia : Int. sit. dan so

To Downing Street

From the Private Secretary

2 March 1983

VISIT BY THE YUGOSLAV PRIME MINISTER

Thank you for your letter of 28 February.
The Prime Minister agrees that the proposed arrangements for the Yugoslav Prime Minister for her visit in May are satisfactory, but has asked whether we should consider arranging some

Thank you for your letter of 28 February. The Prime Minister agrees that the proposed arrangements for the Yugoslav Prime Minister for her visit in May are satisfactory, but has asked whether we should consider arranging some evening entertainment, perhaps at the opera or the ballet, for Mrs. Planinc. It would be helpful to know whether what is known of Mrs. Planinc's interests suggests this would be a good idea and, if so, whether you can arrange it.

I am copying this letter to John Kerr (HM Treasury), John Rhodes (Department of Trade), Muir Russell (Scottish Office) and Tim Allen (Bank of England).

A. J. COLES

Roger Bone, Esq., Foreign and Commonwealth Office.

MR

I think Riviete From Hymlas are satisfied to for Hymlas are nay. Agree?

Foreign and Commonwealth Office

London SW1A 2AH

28 February 1983

A-J.C. 1.

Tes - the luga: leves

duys min wing John, Element of num. with James Cofe. Whatalook mine in heller Visit by Yugoslav Prime Minister: May 1983 for In. Dea John,

As you will know, Mrs Planinć has accepted the Prime Planie Minister's invitation to visit the UK in May. We have already discussed with you in a preliminary way the timing of the talks and lunch with the Prime Minister and I understand that the following appointments are provisionally reserved in the Prime Minister's diary for 18 May:

> 1115-1145 Tête-à-tête talks

1145-1300 Formal talks

1300 Lunch

It is not yet clear whether Mrs Planinć will be able to stay for three full working days but we shall encourage her to do so. As far as other Ministerial involvement in the visit is concerned we propose to suggest that, in addition to talks with the Foreign and Commonwealth Secretary, she might call on the Secretary of State for Trade and the Chancellor of the Exchequer.

HM Ambassador in Belgrade has discussed the possibility of a visit outside London with Mrs Planinć's office and they are keen on a visit to Scotland. If there is time for a visit to Edinburgh we hope that the Secretary of State for Scotland could welcome Mrs Planinć and offer her lunch. There is cope for future cooperation with the

/Yugoslavs



Yugoslavs on information technology; accordingly she might like to visit an electronics firm. Mrs Planinć has experience of educational administration and she might be particularly interested in seeing how new information techniques are being applied to education. We are also proposing engagements in the City, perhaps a lunch with the Lord Mayor and a call on the Governor of the Bank of England.

I attach draft outline programmes for a two-day and a three-day visit; these take into account the suggestions above. If you agree, we shall instruct our Embassy in Belgrade to put them to the Yugoslavs, emphasising that we hope that Mrs Planinć will be able to stay for three full days. Once the Yugoslavs agree to the outline we shall make firm arrangements with the Ministers and others concerned, who are, we understand, in principle free at the times proposed.

Copies of this letter go to the Private Secretaries to the Chancellor of the Exchequer, the Secretaries of State for Trade and for Scotland and the Governor of the Bank of England.

> Your eve (J E Holmes) the

Private Secretary

A J Coles Esq 10 Downing Street

cc: PS/Chancellor of the Exchequer
PS/Secretary of State for Trade
PS/Secretary of State for Scotland
PS/Governor of the Bank of England

DRAFT TWO-DAY PROGRAMME FOR MRS PLANINC, YUGOSLAV PRIME MINISTER

Day 1 (Wednesday 18 May)

10.30	Wreath laying	Tomb of	the	Unknown	Warrior,
	Westminster Al	obey			

11.15	Tête-à-tête talks with the Prime Minister,	
	The Rt Hon Margaret Thatcher MP followed by	7

11.45-13.00 Formal talks

13.00	Tunah	hastad	hrr	Daimo	Miniaton
15.00	Lunch	nosteu	Dy	LITHE	Minister

15.00	Call on Secretary of State for Foreign	and
	Commonwealth Affairs	

15.45? Meeting with the British-Yugoslav Parliamentary Group or the British-Yugoslav Society

Dinner hosted by Ambassador (?)

Day 2 (Thursday 19 May) (NB Cabinet Meeting am)

am Call on the Governor of the Bank of Engl	am
---	----

Call on Lord Mayor of London followed by lunch attended by Representatives of the commercial banks

pm Call on Secretary of State for Trade,

Lord Cockfield

Call on the Chancellor of the Exchequer

evening Dinner hosted by the Secretary of State for

Foreign and Commonwealth Affairs

DRAFT THREE DAY PROGRAMME FOR MRS PLANINC, YUGOSLAV PRIME MINISTER

Day 1 (Wednesday 18 May) 10.30 Wreath 18

Wreath laying, Tomb of the Unknown Warrior, Westminster Abbey

11.15 Tête-a-tête talks with the Prime Minister, The Rt Hon Margaret Thatcher MP, followed by

11.45-13.00 Formal talks

13.00 Lunch hosted by Prime Minister at 10 Downing Street

pm 15.00? Call on/by Leader of the Opposition, The Rt Hon Michael Foot MP

pm 16.00? Meeting with the British-Yugoslav Parliamentary Group or British Yugoslav Society

Dinner hosted by Ambassador?

Day 2 (Thursday 19 May) NB. Cabinet meeting am

Call on the Governor of the Bank of Engalnd

Possible call on Lord Mayor followed by

Lunch attended by Representatives of the commercial banks.

Call on the Chancellor of the Exchequer

Call on and talks with Secretary of State for Trade, Lord Cockfield

16.15-17.00 Talks with Secretary of State for Foreign and Commonwealth Affairs

evening Dinner hosted by Secretary of State for Foreign and Commonwealth Affairs

Day 3 (Friday 20 May) Scotland

07.40 approx Depart Heathrow by BA 4712 or by own aircraft for Edinburgh

08.50 Arrive Edinburgh

- 1. Call on Secretary of State for Scotland
- 2. Visit small firm in high technology sector
- 3. Lunch hosted by Secretary of State for Scotland

/4.

4. Briefing on how the new information techniques are being applied to education

19.40 Depart Edinburgh by BA 4833 for Heathrow or depart for Belgrade by own aircraft.

Yugostavia: June 82. Disit of Mrs Planine

9

 Mr Colas

Cerol 14/1.14

FCO have confined 18 May for visit by Jugoslawian Prine Minister.

Nicky Dury Clark 141,

heydrwort and RESTRICTED GR 50 RESTRICTED Li copia Vo FM BELGRADE 121430Z JAN 83 TO ROUTINE FCO TELNO DO2 OF 12 JAN 1983 No 10 YOUR TELNO 186 OF 10 DECEMBER: PROPOSED VISIT BY YUGOSLAV PRIME MINISTER MRS PLANING ACCEPTS WITH PLEASURE FOR 18 MAY. YUGOSLAVS HOPE THAT, FOR SECURITY REASONS , AN ANNOUNCEMENT CAN BE DEFERRED UNTIL FOUR OR FIVE DAYS BEFORE THE VISIT. LETTER FOLLOWS WITH OTHER POINTS AND SUGGESTIONS FOR THE PROGRAMME. SCOTT. LIMITED EESD A.J.C.T PED-PLANNING STAFF PS THIS TELEGRAM PS/MR RIFKIND WAS NOT PS/PUS ADVANCED SIR J RULLARD MR GOODISON RESTRICTED

Share which be early culimation.

A.J. C. T.

MISS STEPHENS

Visit of Yugoslav Prime Minister

The FCO are suggesting that we should allow a longer period for talks before lunch. I think they are right. Could you manage 30 minutes tête-à-tête followed by 75 minutes of talks?

A. J. C.

or 15 June.

9 December 1982

bec Cs, Jugospavia

25 November 1932

Proposed visit to the UK by the Yugoslav Prime Minister

Thank you for your letter of 24 November.

The Prime Minister could offer the Yugoslav Prime Minister talks at noon, following by lunch, on either 18 May or 15 June. The proposal for a two or three day visit could therefore be built round either of these two days.

JOHN COLES

Roger Bone, Esq., Foreign and Commonwealth Office.

A

1



Prime Miniter

Nay we offer level table Foreign and Commonwealth Office

on either 18 May or Yes London SW1A 2AH

15 Five?

A.J. C. 27/11

24 November 1982

Jow John,

$\frac{ \hbox{Proposed Visit to the UK by the Yugoslav} }{ \hbox{Prime Minister} }$

Your letter of 2 July conveyed the Prime Minister's agreement that during his visit to Yugoslavia, Mr Pym should invite the Yugoslav Prime Minister, Mrs Planinc, to visit the United Kingdom at some time during the subsequent 18 months. As you will be aware, Mr Pym did so and Mrs Planinc accepted.

It is theoretically for the Yugoslavs now to propose dates. But they have not yet done so, perhaps because Mrs Planinc has been preoccupied with Yugoslavia's grave financial crisis. Mr Pym nonetheless considers that arrangements for the visit should be set in train. This would in particular help to reinforce the importance we attach to our political relations with Yugoslavia in a year when financial problems may make our economic relations unusually difficult.

We suggest that the best way of proceeding might be for us now formally to propose dates for a two or three day visit by Mrs Planinc. Informal indications are that the Yugoslav Embassy here are thinking in terms of the late spring, perhaps May or early June. If the Prime Minister could agree to this could you perhaps suggest possible dates which we might tentatively put to the Yugoslavs?

(R B Bone)

Private Secretary

A J Coles Esq 10 Downing Street



Tuzores

10 DOWNING STREET

From the Private Secretary

2 July, 1982

FILE

Yugoslavia's Invitation to Prime Minister

Thank you for your letter of 30 June. The Prime Minister agrees that the Foreign and Commonwealth Secretary, during his visit to Yugoslavia next week, may invite Mrs. Planinc to visit the United Kingdom at some time during the next eighteen months.

A. J. COLES

F. N. Richards, Esq., Foreign and Commonwealth Office

Agree that Nr. Pyn may invite Mrs. Planine, Foreign and Commonwealth Office the Lyalow Prime Ninister, London SW1A 2AH

to visit the U.K. in the

next 18 month?

A J. C. Y Us 1982

Yugoslavia's Invitation to Prime Minister

When the Prime Minister visited Yugoslavia in September 1980, she invited Mr Djuranovic to visit Britain, and he accepted.

The Yugoslavs will expect Mr Pym to confirm this invitation when he visits Yugoslavia on 5 to 6 July. There will be no need to tie the Prime Minister to dates and there can in any case be no question of a visit by Mrs Planinc before next year, or early in 1984. But there are strong arguments for raising the subject with Mrs Planinc with rather more emphasis than the minimum required by courtesy. Yugoslavia is confronting serious problems, and you / will see from the attached biography that Mrs Planinc seems likely to set about them with energy.

I hope you would see no objection if, provided that his meeting with Mrs Planinc confirms our first positive impression of her, the Secretary of State makes it clear to her that she will in principle be welcome in London at some time during the next eighteen months or so.

> (F N Rich Secretary Private

A J ColesEsq Private Secretary 10 Downing Street



PLANINC, MILKA (pronounced PLAHNEENTS)

President of the Federal Executive Council (ie Prime Minister).

Born 1924, Croat. Graduated from Higher Administrative School, Zagreb.

Joined Communist Youth 1941, Party 1944. Formerly a senior official in the Zagreb City Secretariat for Education and Culture. Secretary for Schools and Education in Croatia 1963-65. Elected to Presidium of League of Communists of Croatia 1966. 1971 became President of Croatian Party and ex-officio member of the Pederal Party Presidium. Re-elected 1974 and in 1978.

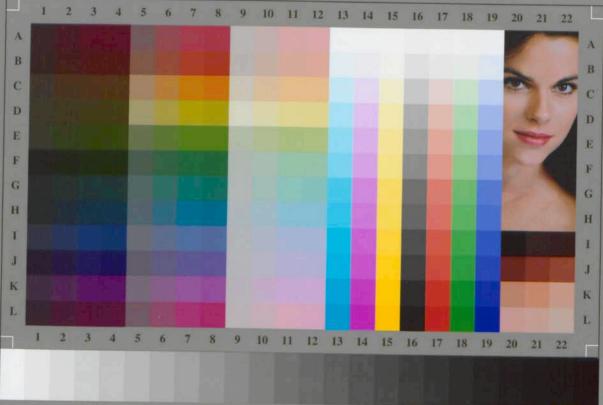
Elected to her present position on May 15, 1982 (but was reluctant to take it).

Husband Zvonko - an engineer. Two grown children - son, student of architecture, and daughter, sculptress at Academy of Fine Arts. Described by the press as "a fanatical advocate of the inviolable right of officials to privacy".

An energetic woman who knows her mind and does not hesitate to reveal it. der stern looks belie cordiality and simplicity. Has a rather disciplinarian attitude to the role of the party and government; played important role in purging the Croatian Party of Croatian nationalists after 1971 and successfully creating a new cohesive organization. No great advocate of 'democratisation' but accepts the need for a freer play of market forces in the Yugoslav economy.

WP. SD2 ACK





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