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Prime Minister's Bi-lateral meetings
in Belgrade whilst attending
President Tito's funeral.

FOREIGN POLICY

May 1980

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SECRET

FILE

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CONFIDENTIAL

for file

9 May 1980

Prime Minister's Conversations with Signor
Cossiga and Mr Talboys in Belgrade

I enclose records of the Prime Minister's discussions in Belgrade with Signor Cossiga and Mr Talboys.

I am sending copies of this letter and its enclosures to John Wiggins (HM Treasury), Garth Waters (MAFF) and David Wright (Cabinet Office).

M. O'D. B. ALEXANDER

G G H Walden, Esq
Foreign and Commonwealth Office



CONFIDENTIAL

9 May 1980


Prime Minister's Discussions in Belgrade

Z enclose records of the discussions which the Prime Minister held in Belgrade with President Kaunda, Mr. Suarez, Mrs Gandhi, President Ceaucescu and President Zia of Pakistan.

I should record that the Prime Minister met Mr. Qotbzadeh during the funeral itself. Nothing of substance was said but Mr. Qotbzadeh congratulated the Prime Minister on the successful way the occupation of the Iranian Embassy in London had been handled. The Prime Minister also met, among others, Mr. Arafat and President Nyerere but the exchanges were limited to the normal courtesies!

MICHAEL ALEXANDER

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.



NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT ZIA OF PAKISTAN IN THE HOTEL INTERCONTINENTAL IN BELGRADE AT 1000 ON 8 MAY 1980

Present

The Prime Minister
Mr. C.A. Whitmore

President Zia of Pakistan

* * * * *

Afghanistan and Iran

President Zia said that he had derived a lot of benefit from Lord Carrington's visit to Pakistan. He had had two meetings with him and had found these very useful. He would be grateful to know how the Prime Minister saw the problem of Afghanistan. He believed that we had to "keep the pot boiling" on Afghanistan. Unfortunately, the focus of interest had recently been directed to Iran. He believed that we must ensure that attention was concentrated on Afghanistan, and he thought that Britain could do a lot in this respect.

The Prime Minister agreed that Afghanistan was a more important problem than Iran. This was the first time the Soviet Union had invaded a totally independent country outside the Warsaw Pact. Every country had the right to decide its own future, but Afghanistan was now denied this right. She was anxious that the world should not simply come to accept this situation as normal. We were doing what we could to find^{the} means which would bring about the withdrawal of Soviet troops. We had, of course, put forward our proposals for the neutrality of Afghanistan. We had to keep up the pressure on the Soviet Union at every opportunity. Experience showed that the Russians did not like hostile opinion and sometimes responded to it. She wondered whether the forthcoming Islamic Conference might have a part to play in this.

/President Zia

President Zia said that he agreed entirely on the need to keep up the pressure on the Soviet Union. He did not expect the Islamic Conference to achieve very much on Afghanistan. There was little that any of the countries concerned could do in a practical way, though he agreed that they could emphasise their abhorrence for the Russian invasion.

In reply to a question from the Prime Minister, President Zia said that the burden of the refugees from Afghanistan on Pakistan had lessened somewhat now that the world community was helping. He was, however, concerned about the lack of assistance for the freedom fighters inside Afghanistan. Pakistan might put at risk its own security by involving itself fully with the freedom fighters, and he believed that this was an area where the United States should play a much bigger part. Otherwise we should be letting the Soviet Union get away with it.

The Prime Minister said that the British Government had been warning the United States that if they did anything rash about Iran, this could compromise the West's position on Afghanistan. We had urged them not to use force to secure the release of the hostages. If they intervened militarily, this might drive Iran into the arms of the Soviet Union and it would certainly alienate other Middle Eastern countries from the United States. We were continuing to try to persuade them to go on being patient over the hostages and to try to obtain their release by non-military means. We had ourselves recently had to take steps to protect the Iranian diplomats who had been taken hostage in their Embassy in London, and we hoped that the Iranian Government would draw the lesson from this incident that they, too, should protect foreign diplomats in Iran. Once the problem of the hostages in Tehran was satisfactorily settled, it would be all the easier to get countries to concentrate their attention on the much bigger problem of Afghanistan.

The meeting ended at 1015.

JWS

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT CEAUCESCU
OF ROMANIA IN THE HOTEL INTERCONTINENTAL, BELGRADE, AT 0930 ON
8 MAY 1980

Present

The Prime Minister
Mr. C. A. Whitmore

President Ceaucescu of
Romania
Prime Minister Mr. Ilie Verdet

* * * * *

Anglo/Romanian Relations

President Ceaucescu said that this was their first meeting since Mrs. Thatcher had become Prime Minister. He would like to extend his congratulations to her and to offer her his best wishes for complete success. Romania placed great value on the relations between the two countries and the two Governments, and he believed that these relations were at present developing well.

The Prime Minister said that she was grateful to President Ceaucescu for the talks she had had with him in Bucharest and in London when she was Leader of the Opposition. She had found these conversations very useful. Lord Carrington's recent talks in Romania had also been very helpful. She thought it important that Anglo/Romanian relations should be good, especially in the world's present uncertain conditions.

Zimbabwe

President Ceaucescu expressed his appreciation of the way the British Government had brought Zimbabwe to independence.

The Prime Minister said that she was very pleased with the way things were now going in Zimbabwe. Mr. Mugabe, who she knew was close to President Ceaucescu, was leading his country and pursuing his policies in a statesmanlike way.

President Ceaucescu said that he continued to be on very good terms with Mr. Mugabe. While the Lancaster House talks

/were in progress,

were in progress, he had seen him and had insisted that agreement should be reached. He, too, was optimistic about the prospects for Zimbabwe and hoped very much that the satisfactory development of the new Government would be assured.

The Prime Minister said that Zimbabwe would, of course, need help and support in the early days of independence. Britain was giving Zimbabwe aid, but we wanted to help without being intrusive.

President Ceaucescu said that he believed that Zimbabwe was a country where Romania and Britain could cooperate fruitfully in a practical way. He had not examined the possibilities closely, but he was sure that in nearly all fields, and particularly those of mining, agriculture and the development of industrial production, it would be possible to work together usefully.

International Scene

President Ceaucescu said that the world was confronted with a number of major international problems at present. Everybody should do all they could to reduce tension and resume a policy of detente.

The Prime Minister said that there were three interacting problems at present which led to a very unstable situation. The first was Afghanistan. It would help to reduce tension enormously if the Soviet Union would withdraw from that country, but it was difficult at present to see how that was to be brought about. The second was Iran. The British Government was urging the United States not to contemplate the use of force to secure the release of the hostages. Military action might well escalate and it would have a damaging effect on relationships between the United States and the Middle East. Nonetheless, she had a great deal of sympathy with the Americans: they had exercised patience for six months now but this had not secured the release of the hostages. Finally, we needed to make progress on the Arab/Israel problem.

/ President Ceaucescu

President Ceaucescu said that he agreed that it would be a good thing if we did not have the Afghanistan issue on our hands at present, and if Soviet troops had not entered that country. Now we should aim for a solution that would allow the withdrawal of the Soviet troops. Of course, the Soviet position was that if interference in the internal affairs of Afghanistan and support from outside for forces trying to overthrow the Afghan Government were to cease, they would withdraw their troops. He believed that it would help to solve the problem if there was an agreement between Afghanistan and her neighbours, Pakistan and Iran. He thought, however, that the present situation in Iran, and especially the continued holding of the hostages, posed a danger to peace that might be far greater than the Afghanistan problem. He was convinced that a political solution for the release of the hostages should be sought. Force should not be resorted to in any circumstances. If it was, it would complicate the situation enormously and might lead eventually to the dismemberment of Iran. One of the difficulties about the Iranian situation at present was that the country was not stable. He hoped that the forthcoming Assembly elections would lead to the consolidation of the regime.

President Ceaucescu continued that, as regards the Middle East, efforts should continue to be made to achieve a secure peace in which the Palestinian issue was settled and an independent Palestinian state established. He thought that Britain could do much more in this regard.

The Prime Minister said that she saw great difficulties in President Ceaucescu's argument that we should go the whole way to the creation of an independent Palestinian state. A more feasible proposition might be to establish some kind of federation embracing a Palestinian state and one or more other states. But the important thing was to try to make progress on the Arab/Israel problem and not to allow a vacuum to develop. Britain had held back in order to allow the Camp David talks to run their full course, but the European Community countries were now considering where we should go once those talks came to an end.

/ President Ceaucescu

President Ceaucescu said that he did not believe that a federation could be created without ^{the} prior existence of an independent Palestinian state. He accepted that immediately after such a state had been established, it might enter into a confederation which might include Jordan. Such a confederation might even one day embrace Israel. He believed that there was a great need for some initiative on Britain's part. The Americans were now preoccupied with their elections and would be less ready to take positive steps towards a settlement.

President Ceaucescu added that with all the attention being given to Afghanistan, Iran and the Middle East, Europe should not lose sight of its own problems. The European countries should work together more on the preparation for the Madrid CSCE meeting and on disarmament in Europe. But these were major questions which there was no time to pursue now.

Visit to Romania

President Ceaucescu said that he would very much like the Prime Minister to come to Romania. The Prime Minister said that she would like to pay such a visit one day. It would give her great pleasure, after her earlier visits, to come to Romania as Prime Minister.

The meeting ended at 1000.

AMS

8 May 1980

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
DEPUTY PRIME MINISTER OF NEW ZEALAND, MR. TALBOYS, AT THE
INTERCONTINENTAL HOTEL, BELGRADE, AT 0905, ON 8 MAY 1980

Present

The Prime Minister
Mr. M.O'D.B. Alexander

Mr. Talboys
Mr. I. Stewart

* * * * *

Sheepmeat

The Prime Minister said that she had wanted to have a word with Mr. Talboys about the progress of the negotiation on a Community sheepmeat regime. She had been told by the Commission during the meeting of the European Council in Luxembourg that they were in close touch with the New Zealand authorities and knew what they could accept. She had wanted to be reassured on this point by Mr. Talboys himself. Mr. Talboys said that his Government was immensely grateful to the Prime Minister for the stand she had made on New Zealand's behalf. It was vitally important that Mrs. Thatcher should maintain her position and thereby give New Zealand's negotiators a chance to persuade the other Members of the Community of the merits of their case. He himself had visited every Member State of the Community and had seen all the Ministers of Agriculture. With the exception of the French and the Irish, they had all expressed their opposition to a system based on intervention and export restitutions. But once the sheepmeat regime got caught up in the wider debate about the Community's future, they tended to throw their hands in the air.

The Prime Minister said the time was approaching when the other Members of the Community would have to make their views plain. She had seen from the overnight telegrams that Britain's criticism of the Luxembourg proposal was making some impact. (The Prime Minister read to Mr. Talboys most of UKREP Brussels Tel No. 2323.) It was now of great importance that the New Zealand authorities should bring home /their views

their views to the Commission. Mr. Talboys said that he was going to Rome from Belgrade and hoped to see Mr. Marcora there. He would then go on to Brussels where he had appointments with Mr. Gundelach on Monday 12 May and with Mr. Jenkins on Tuesday 13 May. He had spoken to the Dutch Foreign Minister, Mr. van der Kloouw, immediately before coming to see the Prime Minister and had been told that the Dutch Government was opposed to the suggested regime. It was, of course, ridiculous that the Community should be thinking of putting in place a regime designed to produce a surplus in a product when they were at present importing 40 per cent of their requirements. The paper submitted earlier by the British Government set out views which the New Zealand Government could accept wholeheartedly.

The Prime Minister said that she hoped Mr. Talboys could let her have a note of the progress made by New Zealand in its discussions. Mr. Talboys said that he would be seeing Mr. Walker soon.

The discussion ended at 0915.



8 May 1980

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF INDIA, MRS. INDIRA GANDHI, AT THE INTERCONTINENTAL HOTEL, BELGRADE, ON THURSDAY 8 MAY AT 0830.

Present

The Prime Minister
Mr. M.O'D.B. Alexander

Mrs. Indira Gandhi
Mr. K.N. Bakshie

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The Situation in India

In reply to a question from the Prime Minister, Mrs. Gandhi said that the situation in India was pretty bad. There was a mood of complete indiscipline. People thought only of themselves and not of the country. The agitation in the North East was worrying. The problem had been simmering for a long time and had begun to grow more acute some six months before the present Government took over. Things might have been less serious had the previous Government taken action sooner. The same was true of the economy where the previous Government had failed to take any decisions during the last three years. They had, for instance, not made a sufficiently early start in coping with the consequences of last year's drought. They had left behind a huge Government deficit. They had completely demoralised the Civil Service. As a result of the investigations of Mrs. Gandhi's previous period in office, members of the Civil Service were now reluctant even to sign a file, let alone to take a decision. Everyone expected overnight results from the new Government but it was proving very difficult indeed to pull things together. The Government had now had to embark on a new round of elections at the worst possible time. The Prime Minister said that the first year in office of a new government was always very tough. The patient was suffering from the effects of his illness and his medicine at the same time. Mrs. Gandhi had a double job ahead to put the economy straight and to motivate the people. Nonetheless, everyone in Britain had enormous confidence in her.

Mrs. Gandhi expressed concern about the impact in India of the rise of Islamic fundamentalism. There were signs that

/India's

India's large Muslim population was being affected by developments in Iran and Saudi Arabia. There was, for instance, considerable opposition from the Muslim community to changes in the law of adoption. Although the law was only designed to make adoption possible, the Muslims had argued that it was encouraging adoption. As a result, they would have to be excluded from the operation of the law. Similarly, the Government had experienced difficulties in trying to enlarge the rights of divorced women. The Prime Minister recalled the differences between the Shi'ite and Sunni Muslims but agreed that the growth of Muslim unity and fundamentalism was a cause for concern.

Pakistan

Mrs. Gandhi said that President Zia was very unpopular in Pakistan. She wished to keep in touch with the Pakistani people, who were ^{with} basically friendly towards India, but this sometimes conflicted/the need to keep in touch with President Zia. He was still circulating maps which showed Kashmir as part of Pakistan. Hostility to India in Pakistan originated in the Civil Service and the Army. They were opposed to normalisation of relations. It was for this reason that the Indian Government were concerned about the supply of arms to Pakistan. The fear was not that Pakistan would invade India but that the arms would be used against the Pakistani people and along the border to stir up hatred between the two countries.

Afghanistan

The Prime Minister asked how Mrs. Gandhi viewed the British proposal for a neutral Afghanistan. Mrs. Gandhi said that she did not like the word "neutral". The situation in Afghanistan was quite different from that in Austria. She preferred the concept of an independent and non-aligned Afghanistan. However, she was at a loss to know how to achieve this objective. It was clear that the Soviet Union would not tolerate a pro-Western government in Kabul. Unless the Afghan Government was pro-Soviet or acceptable to the Soviet Union, there could be no solution. But how could one guarantee the character of a government?

/Elections

Elections would be no answer since their outcome would be, at best, unpredictable. The Prime Minister asked Mrs. Gandhi what she thought of the present puppet regime in Kabul. Mrs. Gandhi said that she thought both sides were producing exaggerated reports on what was happening in the country. A recent arrival from Afghanistan had told her that initially the Soviet troops were welcome because the Amin regime had been much hated. But when it had been put about that the Soviet troops intended to annex the country, the mood had changed. A rebellion against the occupying forces was now in progress but her information was that current accounts of the scale of the fighting were exaggerated. She intended to send a Special Envoy to Kabul soon to discuss the situation with the Afghan Government.

Mrs. Gandhi said that she believed that if the Western reaction to the Soviet invasion had been less violent, the Russians might have found it easier to leave. She did not altogether discount the Soviet claim that they had been invited into Afghanistan in August 1979 but had declined to go; ^{and that} they had only decided to move in when they learned that Amin had approached the US Government for assistance. She could see no reason why there should not be a non-aligned regime in Kabul. Mr. Gromyko had told her that the Russians would withdraw if they received a guarantee of non-interference from Pakistan. The Prime Minister said that she did not think that there had been any interference from Pakistan. If the Soviet Union were allowed to stay in Afghanistan indefinitely, there would be a strong risk of their carrying out another invasion elsewhere. Mrs. Gandhi said that at least the headlong rush to East/West confrontation over Afghanistan seemed to have been halted for the moment. But the situation remained very complex. The Iranian Government wished to hold a conference on the situation in the area and had invited the Indian Government to be represented. However, they did not wish to get involved. They feared that the main objective of the conference would be to criticise the United States.

/Iran

Iran

The Prime Minister said that the situation in South West Asia would be simpler to deal with if the issue of the American hostages in Tehran could be disposed of. It was poisoning the atmosphere and weakening the position of the United States. The failure of the rescue attempt had been particularly damaging. It had had a bad effect on the reputation of the United States throughout the Middle East. Mrs. Gandhi said that the attempt could never have succeeded. The Prime Minister said that the Foreign and Commonwealth Secretary had made it clear during his recent visit to Washington that the United Kingdom could not support US military action in the region.

Commenting on Indian foreign policy generally, Mrs. Gandhi said that the Western press had always portrayed her and her father as being pro-Soviet. This was a misleading picture. Over the years, the Russians had in fact given her "a raw deal". They had not supported her as strongly as many seemed to think. They had, it was true, never tried to defeat her, but they had certainly tried to weaken her.

The meeting ended at 0900.



8 May 1980

SECRET



*to
Rush*

10 DOWNING STREET

From the Private Secretary

7 May 1980

Dear Gange,

PRIME MINISTER'S DISCUSSION
WITH CHANCELLOR SCHMIDT

I enclose the record of the Prime Minister's discussion on Wednesday evening with Chancellor Schmidt. I should make it clear that, despite the apparent absence of any meeting of minds during the discussion on the Community budget, the whole meeting took place in an excellent atmosphere. There was no trace of any resentment lingering from Luxembourg.

I am sending copies of this letter, and its enclosure, to John Higgins (HM Treasury), Garth Waters (MAFF), Stuart Hampson (Department of Trade) and David Wright (Cabinet Office).

Yours ever

Richard Alexander

G.G.H. Walden, Esq.,
Foreign and Commonwealth Office.

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND CHANCELLOR SCHMIDT AT THE INTERCONTINENTAL HOTEL, BELGRADE, ON WEDNESDAY 7 MAY AT 2115.

Present

The Prime Minister
Mr. C.A. Whitmore
MR. M.O'D.B. Alexander

Chancellor Schmidt
Herr Genscher
Herr von Staden

* * * * *

International Affairs

The Prime Minister said that the Foreign and Commonwealth Secretary had only returned the previous evening from Washington but had been able to brief her about his visit before her departure for Belgrade. The main impression he had brought back had been of the pressure on President Carter to take action on various fronts for electoral reasons. He did not think that this was likely to go as far as to lead the President to take military action. Nonetheless, Mr. Vance had stressed the need for Lord Carrington to emphasise in his conversations in Washington that there should be no resort to military action. Senator Muskie's appointment seemed likely to result in some restoration of the influence of the State Department. Lord Carrington had been concerned about the absence of recognition in Washington, particularly in the Senate, of the fact that the situation in Iran interacted with that in Afghanistan and elsewhere in the Middle East. Chancellor Schmidt said that he also had noticed the tendency in Washington to believe that the problems of Iran, Afghanistan and the West Bank could be handled separately. He found the failure to understand that actions on one problem would have an effect on the others very worrying. The Prime Minister said that while her sympathy for Israel was well known, she recognised that a considerable advance towards the Arab position was now required. The American Administration was now very pro-Israel. She was advised that any resolution on the Middle East which was put to the United Nations before the US elections in the autumn would encounter an American veto. Chancellor Schmidt said

/that this

that this was no reason for the Europeans to desist. They had to push the issue a little further. The Americans had to be brought to talk more seriously with the Europeans about the Middle East and to understand the coherence of the three main problems there. It was ridiculous that they had had three special emissaries dealing with the Arab/Israel dispute in the space of two years.

The Prime Minister said that the Foreign and Commonwealth Secretary had repeatedly stressed during his visit the need for the US Administration to discard the idea of military action. The wives of the hostages had, of course, said the same thing. Chancellor Schmidt said that he tried to make the same point to President Carter but had failed to convince him. All the President had said, repeatedly, was "I understand". The Prime Minister said that she had no objection to the rescue attempt which she did not regard as being the same thing as military action. Chancellor Schmidt said that he, equally, had no objection. However, it was very difficult for outsiders to judge what the risks had been. He did not know how many people the Americans had had on the ground in Tehran and did not wish to know. The Prime Minister said that she hoped the Americans could continue to conceal the details of the enterprise. The United Kingdom also had had their difficulties with hostages in recent days. Chancellor Schmidt said the action taken in London had been very effective. The flash-bang grenades now available to the SAS appeared to be even more effective than those which had been used in Mogadishu.

The Prime Minister said that in addition to the difficulties with Iran, there were also difficulties in prospect in Anglo/Libyan relations. Taken together with the strained relations at present existing with Saudi Arabia, the overall picture of Britain's relations with the Middle East was rather gloomy. Chancellor Schmidt asked whether the difficulties with Saudi Arabia were likely to persist. The Prime Minister said that a major

/effort was

effort was being made to overcome the problem but contracts were probably being lost and there was always the possibility of further embarrassment being caused by some other television programme. Chancellor Schmidt said that he would be advising German TV companies not to buy the film "Death of a Princess".

Chancellor Schmidt asked whether the Foreign and Commonwealth Secretary had received any specific impression of current US policies towards China. There had been a difference between Mr. Brzezinski and Mr. Vance on this. Mr. Brzezinski believed that vague and rather ill-defined threats about American relations with China could be used against the Soviet Union. Mr. Vance thought this wrong and dangerous. He considered that there was a grave risk that Chinese expectations would be roused and disappointed while at the same time the Russians would be frightened. Chancellor Schmidt said that he agreed with Mr. Vance's analysis. He thought this subject should be included on the agenda for the political discussions in Venice. The Prime Minister said that she did not think the Chinese would allow themselves to be used in the manner advocated by Mr. Brzezinski. It was very unwise to imagine otherwise. The Chinese were more likely to be able to use the West than vice versa. Nonetheless, it was right to try in present circumstances to be friendly with the Government in Peking.

Chancellor Schmidt asked whether the Foreign and Commonwealth Secretary had discussed with the Americans the forthcoming meetings in Vienna and Venice. The Prime Minister said that she had a letter for Herr Genscher from the Foreign and Commonwealth Secretary (this was handed over later in the meeting). Herr Genscher referred to the tripartite meeting of Foreign Ministers which was due to take place in Bonn the following week. Chancellor Schmidt, to whom it was clear Herr Genscher's remark came as a surprise, welcomed the news that the three Foreign Ministers were meeting. He remarked, however, that the French were being very difficult about the political discussion of the Economic Summit in Venice. Their position remained that tripartite and

/quadrupartite

quadripartite discussions of political issues were highly desirable but that discussion of these issues in larger fora were unacceptable. The Prime Minister said that she had heard about the difficulties being encountered in arranging a quadripartite dinner or breakfast in Venice. Perhaps there ought to be a quadripartite meeting followed by a meeting including the Italians. It was difficult to ignore the Italians who were both the hosts of the meeting and held the Presidency of the European Community. Chancellor Schmidt said that the Foreign Ministers would have to sort out the problem of the Venice discussion. However, the Italians had no reason as of right to be there. There would have to be some political discussion among the seven. The Japanese had to be associated with the political aspect of the Summit and the Canadian Prime Minister had every reason to expect to be consulted.

The Prime Minister raised the question of sanctions against Iran. She described the scope of the powers being taken by the Government in a bill which would be going before the House of Commons very shortly. The bill would give the Government powers to deal with new contracts in the service sector. Existing emergency powers would suffice to cover the bulk of existing contracts. Financial transactions would be omitted. There was little to be said in favour of sanctions but the United States were clearly putting great store on action being taken by the Europeans on 17 May. Chancellor Schmidt commented that American enthusiasm was related entirely to the electoral situation. The German, French and Italian Governments had enormous sums at risk. The Prime Minister said that the United Kingdom also had very substantial contracts with Iran. Chancellor Schmidt said that the higher the figure for British trade with Iran the happier he was because it made it the less likely that "all the nonsense would be carried out". He did not like having to take measures whose consequences would be entirely negative for the West simply in order that Jimmy Carter's campaign managers could proclaim that the Europeans had fallen into line under President Carter's pressure. The

/ Prime Minister

Prime Minister agreed that sanctions made no sense and, as Rhodesia had demonstrated, would not work. However, something had to be done. May 17 had become a symbol for the Americans. She would also be sending Sir John Graham back to Tehran in the hope that he might be able to do something in the aftermath of the rescue of the Iranian hostages in London. Chancellor Schmidt said that 17 May was only significant in the eyes of the United States' public opinion-makers. He did not believe that Europe or the Federal Republic would take action against trade with Iran to the extent that the American Administration expected. The Federal Republic was determined to act only to the extent that others did so. The Prime Minister agreed that it was essential that all the Europeans should act in the same way.

Chancellor Schmidt asked whether the Americans had asked the Foreign and Commonwealth Secretary whether, if Europe did not implement sanctions, the consequence would be American military action in Iran. The Prime Minister said that Mr. Brzezinski had seemed to imply this, but the Foreign and Commonwealth Secretary considered that it was an empty threat. The loose talk was worrying and the Foreign and Commonwealth Secretary had made it clear that Europe would not support military action.

Commenting on the inadequacy of American foreign policy at present, Chancellor Schmidt said that it was a great pity that President Carter had been unable to persuade himself of the need to come to President Tito's funeral. A very wrong impression had been created. The field had been left to President Brezhnev. A joke had been made in the German Cabinet that morning to the effect that President Brezhnev's presence in Belgrade was balanced only by that of Chairman Hua. The Prime Minister said that she had asked the Foreign and Commonwealth Secretary to urge, if a suitable opportunity offered, that President Carter should attend the funeral. Chancellor Schmidt said that he had sent a message to President Carter to the same effect. The Prime Minister wondered whether, if President

/Brezhnev

Brezhnev were to die, all the Western leaders would go to Moscow. Chancellor Schmidt made it clear that he hoped that the Prime Minister would go. The present absence of contact between the West and the Soviet Union was dangerous. It was incumbent on Western leaders, in the present vacuum in Washington, to talk to the Russians while consulting closely with each other about their contacts.

Community Budget

The Prime Minister said that she hoped that the detailed discussions of the outstanding problems of the budget could be carried forward by Foreign Ministers and Finance Ministers. However, she wanted to explain her basic concern to Chancellor Schmidt. She considered that the agricultural prices package and the sheepmeat agreement which Heads of Government were being asked to endorse were taking the Community in the wrong direction. Chancellor Schmidt had repeatedly urged that the United Kingdom should take the lead in reforming the CAP. She agreed that the CAP needed reforming. At the same time they were being asked to take short-term steps which would make reform more difficult. Insofar as it involved price increases for milk and sugar, the price package was ridiculous. The result of the present approach to the sheepmeat problem would be to add a lamb mountain to the butter mountain and wine lake. Sooner or later the Community would have to get to grips with the reform of the CAP. At present people were doing nothing but talk. A Community that could not tackle the CAP was a weak Community. For this reason, it would be difficult for the United Kingdom to accept the other elements in the overall package even if the budget problem itself could be resolved. Chancellor Schmidt said that there seemed at present little chance of resolving the budget problem. As it was, he had been on the brink of losing Herr Matthoffer. He would not repeat the offer he had made in Luxembourg. The Prime Minister could not rely on getting a solution from him. Was he also to assume that in addition to being dissatisfied with what had been offered on the budget, the Prime Minister wished to reject the agricultural price package?

/The Prime Minister

The Prime Minister repeated that she found it difficult to accept a price package and a sheepmeat solution which were nonsense when she was being asked to initiate a reform of the CAP. She found it depressing that her colleagues would acknowledge privately that the price package was ridiculous but would vote for it when asked for their views in the European Council. Chancellor Schmidt said that he would not argue about sheepmeat since he did not understand it. He agreed that the structure of the CAP was monstrous. But reform of the CAP could not be achieved by denying farmers a price increase. It was necessary to distinguish between the need for reform and the need for farmers to be given some degree of protection against inflation. If the Prime Minister did not feel able to bring forward proposals for reform of the CAP - and he understood the Prime Minister's concern lest she should be accused of being non communautaire - somebody else would have to do so. Meanwhile annual price increases would occur. Farmers could not be denied increases which other members of society were getting. The Prime Minister commented that the farmers were being given treatment which was being denied to other manufacturers and enterprises. Chancellor Schmidt said that farmers within the Community had been exempted from competition for many years. The unified price system had perhaps been wrongly conceived - he was inclined to think so - but it had been in existence for many years and could not be reformed overnight.

The Prime Minister said that she might have to accept a 5 per cent increase in agricultural prices. She might even have to take, in the end, a 4 per cent increase in milk and sugar prices. But she thought that all such rises were ridiculous. Chancellor Schmidt said that co-responsibility levies would have to be increased on milk and sugar. He agreed that it was ridiculous. But sometimes ridiculous things had to be done because one's friends required one to do so. He was sorry that the present impasse had arisen

/and was

and was concerned about its implications for Europe. The Prime Minister would have to be willing to compromise. The Prime Minister made it clear that she was not yet ready to do so.

The discussion ended at 2205.

Ph...

7 May 1980

CONFIDENTIAL

cc/ Master set +
Relations with
S. Arabia

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER
OF SPAIN, HELD AT THE SPANISH AMBASSADOR'S RESIDENCE, BELGRADE, AT
2015 HOURS ON 7 MAY 1980

Present: Prime Minister
Mr. C. A. Whitmore

His Excellency
Senor Don Adolfo
Suarez Gonzalez

The Spanish Ambassador
to Yugoslavia

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European Community

After the Prime Minister had said that she was very pleased that the British and Spanish Governments were now trying to settle the problem of Gibraltar, she asked Senor Suarez how the negotiations for Spanish accession to the European Community were going.

Senor Suarez said that there were no major problems and the negotiations were proceeding as expected. There were, however, one or two political problems with France and he did not expect to see these resolved until after the French Presidential elections in 1981. He thought that the vote of ratification by the Spanish Parliament would take place in 1982 and that Spain would be a Member of the Community by the beginning of 1983.

The Middle East

Senor Suarez said that he had just finished a tour of Middle Eastern countries. He had been to Syria, Iraq and Jordan and had left Saudi Arabia only that morning. For historic reasons Spain had a special relationship with the Arab world and felt that she had something to contribute on the problem of the Middle East. Before he had left Madrid on his tour the British Embassy there had asked him to see whether he could do anything about the deterioration in relations between the United Kingdom and Saudi Arabia which had resulted from the production of the film "Death of a Princess". He had raised this matter with Prince Fahd and had explained to him that the British Government could stop neither the making of the film nor its showing. He had asked him to think over the position

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which Saudi Arabia had adopted towards Britain because of the film. In response, Prince Fahd had told him that he understood that the British Government was unable to stop the showing of the film, but the difficulty for Saudi Arabia was that the very fact of the showing had offended against Islamic law. Moreover, the British Government had offered no excuse for the transmission of the film. It seemed that the Saudi Arabians were in particular put out by a statement made by a Foreign Office Minister in the House of Commons that the British Government had not expressed regret about the film to Saudi Arabia. Nonetheless, Prince Fahd, who knew that he, Senor Suarez, would be seeing the Prime Minister in Belgrade, had told him that he wanted to be friendly with the United Kingdom again and would study how and when relations might be put on a better keel again. He would let Senor Suarez know what he proposed to do, and Senor Suarez would in turn let the British Government know. Senor Suarez added that his feeling was that Prince Fahd wanted a few weeks to prepare his tactics.

The Prime Minister said that she was very grateful to Senor Suarez for the action he had taken with Prince Fahd. The Government was very concerned about the deterioration in our relations with Saudi Arabia. We had, for example, lost contracts in Saudi Arabia which we would otherwise have gained. We had asked the TV company not to show the film but we had no means of preventing them from doing so and they had gone ahead and shown it. Ministers had made clear in the House of Commons that we were sorry that the film had given offence to our friends in Saudi Arabia. As soon as Prince Fahd indicated that he was ready to establish better relationships again, Britain would respond immediately.

Senor Suarez said that his visit to the Middle East had brought home to him very clearly the lack of confidence in the United States on the part of the Arab countries, and the total absence of U.S. prestige in the area. American actions had been such that if the Soviet Union had not made such a colossal mistake over Afghanistan, moderate Arab nations would have been put in a very difficult position and could not have avoided coming

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more under Soviet influence. He had been doing his best to convince Arab countries that the U.S. were still their friends and that they should try to draw closer to the Americans and to distance themselves from the Soviet Union. Unfortunately, however, he thought it unlikely that there would be much development in the United States' position until the Presidential election was out of the way. It was as well that Yasser Arafat was also prepared to wait and to try and play a moderate role, despite problems like the recent developments on the West Bank and the activities of Colonel Qadhafi.

Senor Suarez continued that he believed that the moderate Arab countries wanted to get closer to Europe. They were not fundamentally against the West but they found it difficult to seek closer ties with Europe so long as the European countries appeared to be associated with the present American position on the Palestinian problem. The issue for Europe would come into stark relief if a special meeting of the General Assembly of the United Nations was called under the "uniting for peace" procedure: the Arabs would be watching the European position then very closely indeed. He would be very happy to let the British Government have a paper setting out Spain's assessment of the Middle East situation and including records of his conversations during his recent tour with King Khalid, Prince Fahd, President Asad of Syria, King Hussein of Jordan and Yasser Arafat. The Prime Minister said that she welcomed the role that Spain was playing in relations between the West and the Arab world: she was probably able to play a part which no other country could. Britain was very anxious to see a better relationship between the United States and the Arab world but the Americans did not appear to understand the sensitivities of the Arab countries. Lord Carrington had been in Washington earlier in the week and he had drawn the attention of the Americans to the damage which their actions on Iran had done to their relations with other Middle East countries. She believed that any country was entitled to mount a rescue operation to save its citizens of the kind which the Americans had attempted, but what worried the British Government was the talk in Washington of military intervention. Such action would do enormous damage to the United States' standing with the Arabs. We were urging the Americans

/ not to

not to contemplate military intervention, but to go on trying to secure the release of the hostages by other means.

The Prime Minister continued that she would welcome Senor Suarez's views on the position of Iraq. She was herself very concerned about the possibility of a clash between Iraq and Iran. She was also very worried about the role being played by Libya. Two Arabs who were known for their anti-Qadhafi views had been murdered recently in London and there was reason to suppose that the Libyan Embassy had been involved. We were trying to pursue this matter quietly with Colonel Qadhafi, but he did not appear to be disposed to be cooperative.

Senor Suarez said that Colonel Qadhafi was a fanatic with whom it was difficult to reach agreement on anything. He lived on the mistakes of other Arab countries and was too close to the Soviet Union. He had no standing in the Arab world.

Senor Suarez agreed that there was a very serious risk of conflict between Iran and Iraq. Their disagreements had their origin in the personal tension that existed between Ayatollah Khomeini and Saddam Hussein. The Ayatollah had been expelled from Iraq in the past and had not forgotten it. The Kurdish problem also added a difficult dimension. We should do all we could to avoid a clash between the two countries. The Syrian Prime Minister and Foreign Minister had told him that they believed that Saddam Hussein was a creature of the United States. This seemed very unlikely and indeed when he had met Saddam Hussein he had been very critical of the Americans. Nonetheless, he had tried to persuade him to distance himself more from the Soviet Union and to get closer to the Americans and in particular to consider re-establishing diplomatic relations with the United States. Saddam Hussein had said that he would seek a rapprochement with the United States, provided he was satisfied that he would not thereby damage his image in the Arab world. Saddam Hussein was trying to establish himself as a leader of the non-aligned countries, who were due to hold a meeting in Baghdad shortly, and this might encourage him to move away from

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the Soviet Union. Senor Suarez added that he had written to President Carter about the outcome of his tour.

The Prime Minister said that the British Government hoped that the action they had taken to save the Iranian diplomats who had been taken hostage in their Embassy in London would convince the Iranians that they should treat similarly the American hostages in Tehran. If only the problem of the hostages could be solved, the West's relationship with Iran and indeed with the whole of that area could be improved. But the great difficulty was moving Ayatollah Khomeini. President Bani Sadr was disposed to be helpful, but whenever the Revolutionary Council could not reach agreement, matters were referred to the Ayatollah. He was believed to be ill, and it was possible that many decisions attributed to him were in fact taken by his entourage. And they were only too willing to distract the attention of the Iranian people from their domestic problems by being virulently anti-American.

The Prime Minister added that she had found her talk with Senor Suarez very valuable and she would welcome the paper on the Middle East which he had offered.

Visit to Spain

At the conclusion of the meeting, Senor Suarez extended an invitation to the Prime Minister to pay an official visit to Spain, and the Prime Minister thanked him for it.

The meeting ended at 2100.

KMS.

8 May 1980

cf Master set

NOTE OF A MEETING BETWEEN THE PRIME MINISTER AND PRESIDENT KAUNDA OF ZAMBIA AT THE HOTEL INTERCONTINENTAL, BELGRADE, AT 1845 HOURS

ON 7 MAY 1980

Present: Prime Minister
Mr. C. A. Whitmore

President Kaunda of Zambia
The Hon. M. Chakulya,
Minister for Foreign Affairs
The Hon. R.C.Kamanga, Member
of Central Committee
The Hon. E.H.K. Mudenda, MCC
The Hon. H. Mulemba, MCC
Mr. J.C.M. Punabantu,
Press Secretary
Mr. W. Munyantha, Director
of European Affairs

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Zimbabwe

President Kaunda said that he was very happy about Zimbabwe's achievement of independence. He thought that the country was settling down well and that Mr. Mugabe was playing a constructive role. If he was successful in what he was trying to do in Zimbabwe, this would set a very good example for Africa as a whole. Once the problem of Namibia was out of the way it would be possible to concentrate on the economic development of Zambia. He wanted to thank the Prime Minister for all she had done to help bring Zimbabwe to independence.

The Prime Minister said that President Kaunda had himself played a very substantial part in settling the Rhodesia question, not least by his Chairmanship of the Lusaka Conference. She very much hoped that all would now go well for Zimbabwe. If it did, it would be a considerable help to the economies of the surrounding countries, particularly Zambia and Mozambique. Britain wanted to help Zimbabwe but it was important to do so in a way which did not intrude.

President Kaunda said that Mr. Mugabe would certainly need support. He was not without his problems: one worrying one was the difficulty he was likely to have in satisfying the expectations of the workers.

/ Zambia

Zambia

President Kaunda continued that in his own country all the emphasis was now going on the improvement of agriculture. Zambian farmers had had two very bad years. The rain had come too late and when it did come it was too heavy. The result was that Zambia would have to import foodstuffs, primarily maize, once again this year. South Africa had already agreed to dispose of its white maize elsewhere and Zambia would have to put up with the second best, but still expensive, yellow maize. The people of Zambia were responding well to his Government programme for encouraging agriculture. He was particularly anxious to see more use made of Zambia's big rivers for irrigation.

European Community

In response to a question by President Kaunda, the Prime Minister said that the size of the United Kingdom present net contribution to the European Community budget was nonsense. Our contribution at present was greater than the whole of our overseas aid programme. We and Germany paid large sums of money into the budget, and the other seven took money out. This situation had come about because the UK had traditionally taken its imports from all over the world. But one of the rules of the European Community was that if Members imported goods from each other they paid no levy. If, however, they imported from countries outside the Community, they had to pay a levy to the Community. Because we remained big importers from countries outside the Community, we were paying bigger levies than countries like France. The problem was a difficult one, but nonetheless it would be solved. There was no question of the United Kingdom giving up its membership of the Community. Indeed, in today's world, all countries had to work on the basis of regional cooperation.

Iran

In response to a question by President Kaunda, the Prime Minister described in some detail the recent siege of the Iranian Embassy in London. She added that we did not know who had been behind the terrorists. They were Arabs from South Iran who claimed

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that their minority interests were being disregarded. They appeared to think that they would be pressing their cause by attacking the Iranian Embassy. We still did not know the full story behind the incident. Nonetheless, we hoped that the significance of the siege and in particular of what the British Government had done to protect Iranian diplomats in Britain would not be lost on the Iranians in their handling of the question of the American hostages. It seemed that President Bani Sadr wanted to get the Government of Iran more under control, but the problem was that the Revolutionary Council referred everything to Ayatollah Khomeini. We believed that the Ayatollah was a sick man and there was some doubt whether decisions were taken by him or by his entourage. Elections for a new Iranian Assembly were due to take place later this month. The results might serve to strengthen President Bani Sadr's hand, but we also had to reckon with the possibility that the new Parliament would have a strong Muslim character and would be content to leave power with Ayatollah Khomeini. It would be helpful if other Muslim countries would try to influence the Iranian Government on the American hostages, and given his connections with the Non-Aligned Movement, President Kaunda might be able to encourage such countries in this direction.

President Kaunda said that the problem with the Non-Aligned Movement was that it was not united. The United Kingdom might be in a better position quietly to influence matters in Iran.

The Prime Minister said that the British Government would go steadily on with its present efforts to help solve the problem of the hostages. We had found that we had to be very sensitive and careful in our dealings with the Iranian Government.

Namibia

In response to a question from President Kaunda, the Prime Minister said that she believed that we should not hurry too much on Namibia. The South Africans had much to absorb at present. They had been alarmed at the prospect of elections in Zimbabwe,

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but they now accepted their outcome. She thought that they would cooperate with Zimbabwe and wanted to see independence there work successfully. The South Africans were, in short, coming to terms with reality but we must be patient if we wanted to get a solution of the Namibia problem on the lines of the United Nations proposals. If we proceeded firmly but gently, we should have a reasonable prospect of a solution. But if we hurried too much, we should meet resistance from the South Africans of the kind we did not want. She did not have any deadline in mind for a Namibia settlement, but she recognised the process could not last too long.

President Kaunda agreed that the best policy for the present was to wait and see. Nonetheless, experience showed that the South Africans were past masters of the art of stalling. So often in the past a problem ^{had} seemed to be well on the way to resolution when the South Africans had raised something unexpected and everything had gone back to square one. He very much hoped that this would not happen now over Namibia. There was a limit to how long we could go on telling the SWAPO fighters to hold back and wait without their losing confidence in the Front Line States.

The meeting ended at 1910.

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8 May 1980

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ITALY, SIGNOR FRANCESCO COSSIGA, AT THE INTERCONTINENTAL HOTEL, BELGRADE, ON 7 MAY AT 1815 HOURS

Present: Prime Minister Signor Cossiga
Mr. Michael Alexander Signor Squillante
Signor Berlinguer

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Signor Cossiga said that the negotiations on Britain's contribution to the Community budget had now entered their last phase. Despite some of the things which had been said after the Luxembourg meeting, he refused to take a catastrophic view of the situation. He had made this plain in two public speeches in Italy. The Prime Minister agreed that nothing disastrous had happened at Luxembourg. Under Signor Cossiga's excellent Chairmanship, the meeting had got very close to a solution of the budgetary problem. However, she was worried by some of the other papers that the Council had considered. Both the sheepmeat proposals and the agricultural price package seemed to be pushing the Community in the wrong direction. The proposed language on fish would be very difficult for British fishermen to accept. It had been clear in Luxembourg that these problems would have to be sorted out. It had been equally clear that this could not be done by Heads of Government.

Signor Cossiga said that he saw three major problems. The first was posed by President Giscard's and Chancellor Schmidt's declarations that they did not want the British budgetary problem to figure on the agenda of the next Summit. The Prime Minister interjected at this point that she hoped the problem could be solved before the Summit. Signor Cossiga, agreeing, said that as much as possible would have to be achieved at Ministerial level and he intended to push the Foreign Ministers to take action. They should be encouraged to stress the political aspect of the problem.

/ The second issue

The second issue related to the farm price package. It was now clear that the idea that the principle of majority voting could be applied to farm prices was dead. It was important, given the strength of the agricultural lobby in every Community country, to get this point across clearly. The Prime Minister agreed and said that it was essential to preserve the Luxembourg compromise. Signor Cossiga said that he had taken careful note of the message he had received earlier from the Prime Minister on this point.

Signor Cossiga said that the third issue was the question of how and at what point the negotiations should be resumed. He did not think it would be possible to start again from the positions reached in Luxembourg. Although it might be accepted that the substance of what had been achieved in Luxembourg would be preserved, a way must be found to present the positions differently.

As regards the procedure to be adopted in the next few weeks, Signor Cossiga said that the positions of Chancellor Schmidt and President Giscard were crucial. He anticipated support from M. Martens and Mr. van Agt. He would be receiving Chancellor Schmidt in Rome on 15 May for a bilateral visit. This would afford an excellent opportunity for an in-depth examination of the problem. If in the light of that discussion it seemed appropriate, Signor Cossiga would then travel to Paris and Brussels. He would also be ready to come on to London (the Prime Minister said that he would be welcome at any time). In his discussions he would again stress the political factors which required the Community to find a solution to the problem. Failing a solution, the Community's efforts to coordinate their political positions would not be credible and the authority of the Community, e.g. at the Economic Summit, would be much reduced. It was difficult to explain to public opinion why the Community was unable to reach agreement, given that a relatively small sum of money was now involved.

The Prime Minister said that agreement was proving difficult to find because the Community was unwilling to address itself to the
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fundamental problem, viz the disproportionate share of the Community budget taken by the CAP. The problem was recognised by every member of the Community. Despite this, solutions were repeatedly produced to problems which made the fundamental problem more intractable. The agricultural price package increased the proportion of the budget being taken by the CAP. The proposed approach to the sheepmeat problem threatened to produce a lamb mountain. In the absence of a fundamental attack on these problems, the UK was bound to insist on a lasting solution to the budget issue.

Signor Cossiga agreed. He recalled that in Dublin he had said that in order to solve the British problem, and to avoid similar problems after enlargement, it would be necessary to change the structure of the budget. It would also be necessary to find ways of increasing trade between the United Kingdom and other members of the European Community and resolving once and for all the question of own resources. The Prime Minister agreed that these long term problems would have to be solved. But answers would have to be found to the short term issues first. She agreed with Signor Cossiga's proposals for the period immediately ahead. She accepted that a means might have to be found to present the figures discussed in Luxembourg differently, but stressed that she could not retreat on the substance. Foreign Ministers would certainly have a role in clarifying the position. Finance Ministers might also make a contribution and the Agricultural Ministers should continue their discussions, especially on sheepmeat. All should be encouraged to report before the end of May. There was no advantage in allowing the problem to drag on unresolved until Venice - although it might be in the end/only Heads of Government would have the authority to decide the final figures. It would be important for everyone to agree to look at long term changes in the way the Community operated.

Signor Cossiga said that there was now one month and five days left before Heads of Government assembled in Venice. He was confident that this would allow sufficient time to find a solution. The Prime Minister said that she shared his confidence.

The meeting ended at 1850.

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Foreign and Commonwealth Office

London SW1A 2AH

6 May 1980

*Lg
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Dear Michael,

Filed at back

President Tito's funeral: Briefs

/ I enclose two sets of briefs for the Prime Minister. These comprise, the programme, briefing on UK/Yugoslavia relations, a background brief on Yugoslavia and personality notes, and briefing for the Prime Minister's planned bilateral meetings with other heads of government. George Walden will also have with him in the aircraft briefs for possible meetings with the other heads of government mentioned in my letter of 5 May to you, in case these should be needed.

/ I also enclose two additional sets of the briefing on UK/Yugoslav relations, the background brief on Yugoslavia and the programme which you may wish to give Mr Callaghan and Mr Steel to read in the aircraft.

Yours etc

Paul

(P Lever)
Private Secretary

M O D'B Alexander Esq
10 Downing Street
London

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6 MAY 1940

THE PRIME MINISTER'S VISIT TO YUGOSLAVIA FOR PRESIDENT TITO'S FUNERAL

INDEX OF BRIEFS

A. YUGOSLAVIA

1. Background note on Yugoslavia's internal situation and foreign policy with annexes on:
 - a. basic statistics;
 - b. personalities;
 - c. Tito - a short biography;
 - d. points to make in conversation.

B. BILATERAL MEETINGS

2. Brief for meetings with Chancellor Schmidt, and Signor Cossiga.
3. Brief for meeting with Mrs Gandhi.
4. Brief for meeting with Señor Suarez.
5. Brief for meeting with President Kaunda.
6. Brief for meeting with President Shagari (if he comes)

Eastern European and Soviet Department
Foreign and Commonwealth Office
6 May 1980

THE PRIME MINISTER'S VISIT TO YUGOSLAVIA FOR PRESIDENT TITO'S FUNERAL

BACKGROUND NOTE ON YUGOSLAVIA

A. Internal Situation

1. Tito's death is a milestone. For the Yugoslavs he was the personification both of the successful struggle against the Germans in the war and of the creation since 1948 of a widely respected and vigorously independent Yugoslavia having more internal freedoms than any other Communist country.
2. The need to ensure a smooth succession to Tito had been the dominant Yugoslav preoccupation for some time before the onset of his last illness in January. A complex arrangement devised by Tito himself provides for the rotation, annually or biennially, of the majority of key posts, including those of the Chairman and Secretary of the Party Presidium and the President and Vice President of the Presidency (ie Head of State and Deputy Head of State). The top government post, Chairman of the Federal Executive Council, rotates every 4 years, although it too is intended to rotate biennially after 1982. The purpose of rotation is to avoid competition for the top positions and domination of the country by one nationality. The positions of Head of State and Supreme Commander of the Armed Forces have been assumed by Koliševski, a Macedonian, who previously was Vice-President. He will be succeeded next month by Mijatović, a representative of Bosnia, who will hold the job for a year. Tito's position as President of the Party has lapsed, at least for the time being. The top Party figure will be the Chairman of the Party Presidium, Doronjski (from the Vojvodina region). He will be succeeded by the representative of another republic or province (it

is not yet known which) in October. The precise order in which posts are to rotate has not in all cases yet been established but each nationality will take its turn and care will be taken to ensure that at any one time the main jobs are shared out evenly among the different republics and provinces.

3. Neither Koliševski nor Doronjski (or their successors) will have anything approaching Tito's power. The plan is that they should simply act as Chairmen of their respective bodies, with real power being exercised by the entire collective leadership. How long this situation lasts remains to be seen. It seems likely, however, that sooner or later some of the stronger personalities within this collective leadership will come to the fore and begin to exercise the real authority. Amongst those who could play a leading part in this phase are Bakarić (Croatia), a member both of the State Presidency and of the Party Presidium and one of Tito's oldest and closest associates, Dolanc (Slovenia), Secretary of the Party Presidium until last year, Minić (Serbia), President of the Federal Council of Foreign Affairs and Foreign Minister until 1978, Ljubicić (Serbia), Minister of Defence since 1967 and Mikulić (Bosnia), a member, and until last year, Chairman, of the Party Presidium. Personality notes on these and other senior Government and Party figures are attached.

4. The nationality problem, although quiescent, remains the most serious internal threat to the country's cohesion (see annex of basic statistics). Without Tito's prestige and unifying influence, the future leaders of Yugoslavia will have a more difficult task in preventing the traditional rivalries (chiefly between the Serbs and Croats) in this multi-national federation from erupting again. The Constitution seems likely to take Yugoslavia through the transition period, especially since the invasion of Afghanistan has reinforced

/Yugoslav

Yugoslav fears of the Soviet threat and will be an influence for unity. the longer run the federation should maintain its cohesion but there will be difficulties.

5. Yugoslavia's serious economic problems will add to future strains. High investment and domestic demand coupled with low productivity and uneconomic wage levels have created serious problems over the past two years. Inflation is well over 20% and rising. The 1979 trade deficit was \$6.3 billion after invisible earnings, mainly emigrant workers' remittances and tourist receipts have been taken into account. In July and August last year a range of new measures was introduced to restrain demand, investment, imports and prices. These did not work and further restrictions are being imposed.

B. External Relations

6. Although Tito's meeting with Brezhnev in Moscow last May did little to improve Yugoslav-Soviet relations it helped to restore the careful balance which Tito was always at pains to maintain. But the underlying differences remain, notably Yugoslavia's greatly improved relations with China, Yugoslav concerns about Afghanistan and about the Vietnamese takeover of Cambodia, and differences over the Non-Aligned Movement. By contrast the notable improvement in Yugoslavia's political relations with the USA has continued.

7. Yugoslavia's generally good relations with the EC countries are to some extent inhibited by Yugoslav concerns about the large and persistent trade deficit (nearly \$2 billion). The Yugoslavs fear that this may force them into greater dependence on the CMEA. The new EC-Yugoslavia Cooperation Agreement signed in Belgrade on 2 April will go some way to correcting the situation.

8. Non-alignment has for over 20 years been the corner-stone of

Yugoslavia's foreign policy. The Yugoslavs have been particularly concerned at growing divisions within the Movement. They conducted a vigorous campaign at the 1979 Havana Summit to counter Cuban efforts to shift the movement's centre of gravity towards the Soviet pole. This was only partially successful, but the Soviet invasion of Afghanistan seems to have strengthened the moderates' hand within the movement.

9. Yugoslavia's nationalities problem is a continuing source of polemics with neighbouring countries. The Albanian minority could exert a destabilising influence. But the most difficult problem is Macedonia, which concerns Greece and above all Bulgaria. The Yugoslavs assert that the Bulgarians with Soviet support are still ambitious to re-establish 'Greater Bulgaria' including Yugoslav Macedonia. But the Bulgarians have firmly denied any territorial ambitions. To some extent the Yugoslavs use the dispute as a screen upon which to project their fears about the real threat from the USSR.

C. The Outlook

10. The Soviet Union probably understands that an attack on Yugoslavia would create a really serious East-West confrontation, and is therefore unlikely to risk it. Open Soviet threats would be the most effective way of uniting Yugoslavia. So the Russians will probably seek by subversion to exploit internal divisions and economic problems and hope gradually to gain major influence. The risks are thus likely to appear only after a period of months when the new leaders begin to take difficult decisions.

11. There is no discernible disagreement among Tito's successors about the main lines of foreign policy and the dangers presented by the USSR. So there is little risk of a rapprochement with Moscow. Yugoslav foreign policy will continue to be based on non-alignment. There is a

/possibility



possibility of closer relations with the West, but the Yugoslavs will sh, as Tito did, to avoid going far or fast enough to provoke a crisis with the Russians.

Eastern European and Soviet Department

Foreign and Commonwealth Office

April 1980

YUGOSLAVIA

BASIC STATISTICS

1. AREA AND POPULATION

- (i) LAND AREA: 255,804 sq kms
- (ii) POPULATION: (a) 22,110,000 (June 1979)
- (b) Average annual growth rate 1%
- (c) Nationalities:

	1961	%	1971	%
Total population	18,549,000	100.0	20,504,000	100.0
Serbs	7,810,000	42.1	8,140,000	39.7
Croats	4,290,000	23.2	4,520,000	22.0
Moslems	973,000	5.2	1,730,000	8.4
Slovenes	1,590,000	8.6	1,700,000	8.3
Albanians	915,000	4.9	1,310,000	6.4
Macedonians	1,046,000	5.6	1,195,000	5.8
Montenegrins	514,000	2.8	508,000	2.5
Hungarians	504,000	2.7	480,000	2.3
Yugoslavs	317,000	1.7	270,000	1.3
Other	590,000	3.2	651,000	3.3

2. ECONOMIC

- (i) GNP (a) Total (1977) \$48.6 billion
- (b) Average annual growth rate 5.5% (1973-1977)
- (c) Per capita (1977) \$2229
- (ii) MAIN EXPORT MARKETS:

	1972	1977
USSR	14.7%	21.7%
Italy	11.8%	12.0%
FRG	11.8%	7.4%
USA	6.7%	5.7%



3. MILITARY

Army	190,000	(130,000 conscripts)
Navy	25,000	(8,000 conscripts)
Air Force	44,000	(7,000 conscripts)
Total defence expenditure 1979:		\$2.81 billion

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Brief No 1

Annex B

PERSONALITIES

KOLIŠEVSKI, LAZAR (pronounced KOLLYSHEVSKY, LAZAR)

Head of State until May 1980.

Born 1914. Macedonian.

Joined Party 1935; imprisoned several times; tried to organise resistance in Macedonia 1941 but was arrested as a result of treachery by Bulgarian Communists and sentenced to death by Bulgarian authorities; sentence commuted to life imprisonment; released on liberation 1944; Secretary of Macedonian Party.

Prime Minister of Macedonia 1945; President of Macedonian Assembly 1953-62; appointed to Federal Presidency 1972.

Dark, slight and intense. A poor public speaker. From 1963 when he was a real power in the land, he withdrew more into the background, according to his friends with the deliberate intention of giving younger men a chance. He came back in 1973, appointed to the Presidency because Tito wanted an old and tried comrade in place of innovators.

Has a capable and cultivated wife of partly French descent, who is a professor of modern languages at Skopje.

Speaks some English.

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BAKARIC, DR VLADIMIR (pronounced BAKAREETCH, VLADEEMEER)

Member for Croatia of State Presidency.

Member of Party Presidium.

Born 1912. Croat. Read law at Zagreb.

Joined Party 1933; several times arrested before war; Partisans 1941, becoming member of Tito's HQ in 1944.

Prime Minister of Croatia 1945-53; President of Croatian Assembly 1953-63.

Bakarić is one of Tito's oldest and closest associates. For years wielded the main power in Croatia. Towards the end of the 60s he relinquished power to younger politicians but clashed with them over Croat nationalism. He helped in Tito's intervention which led to their downfall. Now again a key figure in Croatia.

He has a long history of lung trouble. Has been liable to lapse into periods of inactivity but has also shown a remarkable instinct for re-appearing with a major intervention at the right moment. He has been in the forefront of every liberalisation effort. On first acquaintance he appears a frail, avuncular figure but this is an under-estimate. With Kardelj dead, he is the last of the 'old guard' within the Presidium and will play a key role after Tito's death - provided his health stands up.

Very widely read, both politically and in literature.

Speaks good German and English and some French.

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DOLANC, STANE (pronounced DOHLANTS, STAHNAY)

Member of the Presidium of the League of Communists of Yugoslavia.

Slovene. Born 1925. Graduate of Ljubljana Faculty of Law.

Joined Party 1944 and fought with Partisans. After the war he served in the army until 1960.

Dolanc came up very fast during the 1970s and was widely tipped as Tito's successor. But he was also unusually dependent on Tito's goodwill. His swift rise and reorganisation of the LCY were resented by others. 1978-79 Secretary of the Presidium of the Party. His loss of this job put a question mark over his standing. But he is still a very powerful figure and possibly the ablest of Tito's successors. He has been a consistent critic of the Soviet Union.

Dolanc is intelligent, and formidable. His public speaking is by Yugoslav standards unusually direct and free of jargon. He has the misfortune to be short and squat in a country where personal appearances count and cultivates a rough appearance. But his calibre comes through very quickly in conversation. He has travelled widely visiting the UK in 1977 as guest of the Labour Party. A sportsman in his youth, he is still a keen spectator.

Speaks excellent German and some Russian and French.

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DORONJSKI, STEVAN (pronounced STEFAN DOROYNSKI)

Chairman of Presidium of League of Communists of Yugoslavia.

Serb. Born, Vojvodina, 1919. Studied veterinary surgery in Belgrade before the war.

Joined Communist Party 1940. Partisans from 1941. Elected to Party Presidium and as President of Party Commission for Agrarian Policy 1969.

Member for Vojvodina of the State Presidency since 1974.

Was a substantial power in Vojvodina and Serbia but now an elder statesman. A pleasant and friendly man.

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LJUBIČIĆ, ARMY GENERAL NIKOLA (pronounced LYOOBEECHEETCH, NEEKOLA)

Federal Secretary (Minister) for National Defence.

Born 1916. Serb. Before the war he was an agricultural student and later a civil servant and a Reserve officer. He joined the Partisans and the Communist Party in 1941 and rose from platoon commander to deputy corps commander in 1945. Since the war he has commanded a division, a corps, and was commandant of the tactical school at the Higher Military Academy.

A member of the Party Central Committee since 1964.

He has travelled widely since becoming Minister of Defence in July 1967. He has attended both Warsaw Pact and NATO exercises, and accompanied Tito on many overseas trips. Visited Britain in 1975. Was host to Mr Mulley in 1976.

Ljubičić was picked by Tito. He has gained very markedly in authority over the past few years and now wields very real influence. He could emerge in a top political job.

He was genuinely impressed by his reception in the UK and is personally very friendly once he gets to know people.

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MIKULIĆ, BRANKO (MEEKOOLEETCH, BRAHNKOE)

Member of Party Presidium and past Chairman.

Born 1928. Croat.

Despite his relative youth, not a very "new" man. He appeared to play a major part in arresting the swing towards centralism in 1972 coming out as a strong opponent of centralism and favouring the rational devolution of power to Republics within a truly Federal framework. He may have been motivated by a wish to maintain his hold over his Bosnian fief.

He is likely to remain one of the most important members of the Party Presidium. He has a reputation as a "hard-liner". But he is no dogmatist and there is no evidence to suggest he is in any sense pro-Soviet.

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MINIĆ, MILOŠ (pronounced MEENEETCH, MEELOSH)

Member of Presidium of League of Communists of Yugoslavia and President of Federal Council for Foreign Affairs.

Serbian. Born 1914, in a middle-class family in a provincial town. Lawyer. Joined the Communist Youth in 1935 and was one of the organisers of the first Partisan activity in Serbia in 1941.

From 1950 onwards he went up the Government and Party ladders. He was a Vice-President of the Federal Assembly from 1969 until his appointment in December 1972 as Foreign Secretary and Deputy Prime Minister. In 1978 he became member of Party Presidium.

Minić was Tito's personal choice as Foreign Secretary. He had Tito's ear and is one of the most influential Serbs at Federal level. He retains a considerable interest in Foreign Affairs and has overshadowed the Foreign Secretary Vrhovec.

Minić first visited the UK in 1950 when Mayor of Belgrade. It was a lively visit - he came very close indeed to cutting it short because of Suez - but it nevertheless gave him a much clearer appreciation of Britain. He paid a second visit in 1961 when Prime Minister of Serbia, and as Foreign Minister, in November 1974. In November 1976 he was host to Mr Crosland.

He has mellowed as much as any Yugoslav of his generation and has very substantially widened his horizons. In the Yugoslav political spectrum he is conservative but far from reactionary - indeed, he has been among the toughest critics of Soviet (and Cuban) policies. He can be dour but can also show a real charm. He used to speak a certain amount of French but will not now speak any foreign language. He has a history of heart problems.

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VRHOVEC, JOSIP (pronounced VIRHOVETS, YOSEEP)

Federal Secretary for Foreign Affairs (Foreign Minister) since 1978.

Croat. Born 1926, Zagreb.

Took part in wartime Resistance. Member of Party 1944. After war, graduated from Faculty of Economics and taught at Institute of Social Sciences. From 1952 to 1969 worked as a journalist (correspondent in London and Washington) and editor. Has held various leading posts in League of Communists.

His wife spent one year doing post-graduate English study in London before their marriage. He speaks quite reasonable English.

There is some doubt about his tough-mindedness. Despite his intelligence he has not so far been an enormous success as foreign secretary, and has tended to be overshadowed by his predecessor, Miloš Minić, who still retains an interest and responsibility in foreign affairs. He may however grow into the job and prove to be a more flexible negotiator (with the East or West) than Minić.

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TITO - A SHORT BIOGRAPHY

President of the Socialist Republic of Yugoslavia and of the League of Communists of Yugoslavia.

Early Life

Born 1892.

Real name Josip Broz.

Started life as skilled metal worker.

1927 Secretary Metalworkers' Union.

1928-34 In prison for political activity and fomenting strikes.

1934-35 and 37 Worked in Comintern in Moscow.

Tito in the Ascendant

Between 1936 and 1938 Tito made three decisions, considerably against Soviet advice, which had far-reaching consequences: that Yugoslavia's nationalities should have their own sections of the Party, that the Party leadership must work inside Yugoslavia and that the Party should not depend on subventions from Moscow but should finance itself. He followed faithfully the Moscow line on the Molotov/Ribbentrop pact, but, while the truth is now obscured by propaganda, by the end of 1940 he was probably taking a more genuinely neutral line between the Axis and the democracies than were the Russians. He had no hand in the Yugoslav rising against a pro-Axis policy in April 1941; nor can the collapse of the Yugoslav armies be blamed on Communist infiltration. His central policy was probably preparation of the party for an inevitable war.

After the invasion of Yugoslavia, Tito intensified planning for an armed rising, but it is unlikely that he or the party took any active role before the German invasion of the USSR. Immediately thereafter he began partisan operations in Serbia and personally directed operations until the end of the war, from which he emerged in command

of an army of some 800,000. He succeeded because he organized a national and not merely regional movement and because, unlike his local opponents, he believed in relentless warfare against the invader.

Tito in Power

In 1943 he turned his National Liberation Committee into a Provisional Government and appointed himself Marshal of Yugoslavia.

It is clear now that his independence and self-confidence had already sown the seeds of serious trouble with the USSR. He had consistently rejected Soviet advice to play down the political aspects of his partisan movement, and pestered the Russians for material help while at the same time making clear that he did not want Russian troops in Yugoslavia for longer than was militarily necessary.

For the first three years after the war Tito was a model satellite leader. By the end of 1945 he had got rid of his non-Communist colleagues, secured an enormous majority in rigged elections and established complete control. While UNRRA saved Yugoslavia from starvation, his Government embarked on the liquidation of the bourgeoisie, the collectivisation of agriculture, a ridiculously ambitious Five-year Plan and an even more bellicose policy towards the West than that of the Russians. But differences with the Russians multiplied. He had a serious row with them as early as 1945 when they would not support his claim to Trieste to the point of war with the West. Early in 1948 Stalin's patience snapped under the strain of Tito's persistent, though private, assertions of independence and his obvious determination to become the leader of a Balkan federation. In June 1948, after a private correspondence of increasing bitterness, Tito and his most important lieutenants were publicly excommunicated.

With the support of the whole country and nearly all the party, Tito stood firm. In 1949, a Soviet blockade and serious economic

/difficulties

difficulties impelled him to turn cautiously to the West, with which he thereafter cultivated better relations, without conceding a single point of political principle. By the early 1950s he had, under pressure of events, re-thought much of his creed, and recognised at least some of the fundamental defects of the Stalinist system he had tried to impose. In 1952 he approved a decentralisation and liberalisation which seemed to point eventually to the withering away not only of the state but of the party. In the governmental reorganisation in 1953 he was elected President of the Republic and President of the Federal Executive Council. That year he visited the United Kingdom.

Stalin's death removed the danger of armed attack and was soon followed by Soviet overtures. Tito, mindful of the dangers of unlimited liberalisation, halted (but did not reverse) it. In 1955 he received Khrushchev and Bulganin in Belgrade and in 1956 paid a triumphal visit to the Soviet Union. But he over-estimated the change in the Soviet Union, yielding to wishful thinking and the temptation to play a major role in the Communist world. There can be no doubt that in the long run he would have sacrificed his relations with the West, already much compromised, by increasing support for Soviet foreign policy. But his attitude to the Polish revolution and, initially, to the Hungarian, caused offence and alarm in Moscow. Although he ended by giving grudging approval to the Soviet intervention in Hungary 'if thereby Socialism was saved', the criticisms of earlier Soviet actions were more than Moscow could swallow. The ideological polemics which followed were none the less kept within bounds and in August 1957 at a meeting in Romania with Khrushchev, Tito apparently secured a ban on public disputes, as part of a package which included Yugoslav recognition of East Germany. But once again agreement proved illusory.

/Tito

Tito had long since decided that Yugoslavia should be more than a country between the two blocs and had found a new field of action in the Third World. He was to a large extent the originator of 'positive non-alignment'. The first stage, pursued through three long Afro-Asian journeys (1954-5, 1958-9 and 1961), culminated in the Belgrade Conference of Non-Aligned Heads of State in September 1961. Nehru, Nasser and to a lesser extent Nkrumah and Sukarno became his closest colleagues. He sought similar connections in Latin America but with less permanent effect.

In the early 1960s Yugoslavia's relations with the Soviet Union improved and without compromising his independence Tito increasingly supported the Soviet line on major world problems, particularly disarmament and colonialism. In 1962 and 1963 he exchanged visits with Khrushchev, gaining Soviet recognition of Yugoslavia as a socialist state and acceptance of the thesis that Yugoslavia's non-alignment was serving the cause of socialism.

Khrushchev's fall was a serious shock to Tito and his initial attitude to the succeeding Soviet leadership was anxious suspicion. But he visited the Soviet Union again in June 1965 and seemed convinced that there would be no reversion to Stalinism and no attempt by the Russians to settle their problems with China at the expense of the Yugoslavs. He was quite ready to clamp down on any Yugoslav press criticism of the Russians.

He was however also ready to give his full backing to a far-reaching economic decentralisation. This programme, and other complex internal tensions, brought him into conflict with a conservative group in the party headed by Ranković, one of his most intimate lieutenants. The latter's dismissal in July 1966 was evidently a hard decision and Tito himself was more lenient to Ranković than were many other senior members of the party.

The Arab-Israeli war in 1967 brought one of Tito's few defeats. His uncritical backing of Nasser beforehand, and wholehearted diplomatic support afterwards shook the Yugoslav people's faith in his judgement and did much to discredit the policy of non-alignment. For a while too Tito was more nearly at one with the Eastern bloc than at any time since 1948. Events in Czechoslovakia supervened. Tito had led a Party delegation to Prague in August 1968 and took the closest interest in the emergence of 'socialism with a human face'. The Soviet invasion later in the same month revived fear of the Russians and Tito resolutely condemned their action.

In 1970 Tito endorsed proposals for constitutional reform designed to decentralise the political structure of the country in line with the economic decentralisation of 1965. In 1971 he was forced into direct and prolonged intervention in Yugoslavia's most serious internal crisis since 1948. Politicians engaged in violent public squabbles over the conflicting interests of their Republics. Tito acted late but resolutely, removing the Croat leaders and making it clear that decentralisation, and the recognition of continuing national differences within Yugoslavia, would not be allowed to threaten the unity of the Federation.

In October 1972 he ejected the leadership of the Serbian Party and subsequently that of the Vojvodina Party, instituting a general campaign against all forms of 'liberalism'. Much of the quality went out of Yugoslav public life and Tito appeared in a more reactionary role than he had for many years. At the same time he personally promoted yet another upswing in Yugoslav relations with the Soviet Union.

Tito's Last Years

1972 was the last year in which Tito was virtually unaffected by age. Thereafter he cut down his engagements. But he was still capable of major efforts. He attended the 5th Non-Aligned Heads of State Summit

/in

in Colombo in 1976. In 1977 and 1978 he travelled widely to the Soviet Union, USA, UK and to North Korea, and to China, personally leading the campaign for the rehabilitation of Yugoslavia's relations with that country.

Tito was married three times. His first wife was sent back to Russia in 1928. He divorced his second wife, an Austrian. In 1952 he married Jovanka Budisavljević, a strikingly handsome Serb who was a major in the Partisans. She has not appeared in public since mid-1977. There was no official explanation for her disappearance from public life and rumours that she was divorced remain unconfirmed.

Eastern European & Soviet Department
Foreign and Commonwealth Office
April 1980

PRIME MINISTER'S VISIT TO YUGOSLAVIA FOR PRESIDENT TITO'S FUNERAL
BILATERAL RELATIONS

POINTS TO MAKE

INTRODUCTION

1. Our relations very good. Admire your vigorous independence and non-alignment.

EC - YUGOSLAVIA

2. Welcome signature of agreement on 2 April. Important step forward in EC - Yugoslavia relations.

VISIT BY PRIME MINISTER (if raised)

3. Would like to take up invitation as soon as circumstances permit.
Glad to discuss timing when you are ready to do so.

CROATIAN NATIONAL COUNCIL (if raised)

4. Recognise your concern, but cannot under British law ban purely political meetings. Went as far as we could in keeping out two prospective participants.

ANGLO-YUGOSLAV TRADE (if raised)

5. Understand your concern about current account deficit but cannot balance accounts with every country. Ready to draw any proposals for co-operation to attention of British industry.

DEFENCE SALES (if raised)

6. Glad we have been able to help over supplying defence equipment. (Sales of over £100 million over past 6 years). Greatly value this relationship.

7. (Refusal to sell sensitive equipment). Ready to look at any particular cases. But requests for very advanced technology subject to security restrictions.



BERNARD LEVIN'S 29 APRIL ARTICLE (if raised)

8. No matter how regrettable the content of a particular article HMG cannot interfere with the press.

ESSENTIAL FACTS

1. Relations with Yugoslavia very good. Only problems: repeated Yugoslav pressure for more high level visits, particularly by a Prime Minister; imbalances in bilateral and Yugoslavia/EEC trade; restrictions on arms sales: and activities in UK of Croatian emigrés.

EC - YUGOSLAVIA

2. After two years of negotiations, the new EC Yugoslavia - Co-operation Agreement was finally signed on 2 April. The EC made substantial concessions. The number of products covered by import ceilings above which tariffs will apply have been reduced from 60 to 29, covering over 13% of Yugoslavia's industrial exports. There have also been considerable agricultural concessions. Over the next 5 years Yugoslavia will receive European Investment Bank loans of \$292.5 million. Yugoslavia has not in return been required to grant specific trade concessions to EC.

VISITS

3. President Tito visited UK four times. Most other key Yugoslavs have also visited UK. Most important UK visit was the State Visit of The Queen in 1972. Last visit by Foreign and Commonwealth Secretary Mr Crosland in 1976. No British Prime Minister has ever visited Yugoslavia. Mrs Thatcher went as Leader of Opposition in 1977.

CROATIAN EMIGRES

4. The Yugoslavs complain regularly about the activities of anti-regime Croat emigres in UK. They protested particularly strongly at our failure to ban a meeting in London on 18 - 21 January of the Croatian National Council, an umbrella group for Croatian emigrés abroad. We were legally unable to ban this meeting because we have no evidence that the CNC is a terrorist organisation. We were however able to keep out

two of the prospective participants on security grounds.

ANGLO-YUGOSLAV TRADE

5. The Yugoslavs are very concerned about their 4-1 deficit with the UK. But the British market is almost completely open and it will be hard for them to sell more here unless they improve quality, price and marketing.

6. A number of joint ventures have been established between British and Yugoslav firms in Yugoslavia. Davy Loewy Ltd have a \$500 million contract to construct a steel rolling mill in Smederevo, Serbia. Head Wrightson, Rolls Royce, GEC, Dunlop and other companies also have long term interests in joint ventures. British Leyland are discussing a project to build landrovers in Montenegro.

7. The figures for Anglo-Yugoslav trade since 1975 are:

£ million

	1975	1976	1977	1978	1979
UK imports	24.4	33.5	40.5	37.9	51.3
UK exports	94.2	128.5	175.0	160.3	173.9
UK surplus	69.8	95.0	134.5	122.4	122.6

DEFENCE SALES

8. Britain is one of Yugoslavia's leading Western arms suppliers. Over the past 3 years sales have amounted to well over £100 million. But we have been unable to meet a number of Yugoslav requests for sensitive information and equipment (eg electronic warfare equipment and Chobham tank armour, advanced guided weapon systems and the RB 199 engine). [Not for use] The security reasons for our position are being re-examined.

BERNARD LEVIN

9. In a 29 April 'Times' article on the ethics of artificially prolonging life, Levin suggested that Tito and Franco were 'alike in /their



brutal lives and characters'. The Yugoslav Embassy in London have complained vigorously to the FCO.

SECRET

PRIME MINISTER'S MEETING WITH COMMUNITY HEADS OF STATE/GOVERNMENT
AT PRESIDENT TITO'S FUNERAL, BELGRADE, 7/8 MAY 1980

EUROPEAN COMMUNITY

POINTS TO MAKE

1. Regret failure to reach agreement at Luxembourg. Substantial progress made. Recognise that partners came a long way to meet our concerns.
2. Important not to exaggerate the failure. Gap was narrowed and is bridgeable.
3. Glad to hear that Presidency have procedural proposals. Urge that Foreign Ministers be given a clear mandate to settle whole nexus of issues before the Venice European Council. This is what we are willing to do.

DEFENSIVE

4. Willing to take part constructively in Agriculture Council in getting CAP prices package ready for settlement, but final decision must be taken in same timescale as solution reached on our budget problem.
5. Prepared to work for decision on sheepmeat in same timescale also. But must be serious negotiations, not just take-it-or-leave-it by one Member State.
6. Keen to make progress on fish. But careful preparation of next Fisheries Council needed - issues involved are complex.

ESSENTIAL FACTS

GENERAL

1. This would be a good opportunity to mend fences with our Community partners after Luxembourg. It would be best to avoid any discussion of the substance of the budget problem or of the linked issues. The essential point to get across is our willingness to get the whole nexus of problems out of the way before the Venice European Council provided the terms are right.

UK COMMUNITY BUDGET CONTRIBUTION: POST EUROPEAN COUNCIL DEVELOPMENTS

2. First substantive discussion was in 5/6 May Foreign Affairs Council. On procedure, agreed that Foreign Ministers would take responsibility for all parts of negotiation except agricultural. Presidency emphasised need for progress by 31 May. Next discussion would be at Naples informal meeting of Foreign Ministers (17/18 May). Because of heavy agenda discussion of budget will be entrusted mainly to parallel meeting of officials. Signor Colombo indicated Italian intention to make intensive bilateral contacts before Naples. Also suggested that there might be further meeting of Foreign Affairs Council before end May (at present, next meeting would be 2/3 June).

3. On substance, no significant movement by partners from previous positions. Germans and French confirmed offers at Luxembourg no longer on table. But Dohnanyi asked Presidency to prepare paper showing where negotiations had got to at European Council. Italians said they would consider. Irish and Italians suggested that discussions should start where things were left off at Luxembourg. Presidency emphasised that all should come to Naples meeting with negotiating margin. Mere repetition of existing positions would prevent progress.

4. Overall, signs are that in spite of generally gloomy view in capitals immediately post-European Council, general willingness to move ahead. For us fence mending operation at Foreign Affairs Council seems to have been a success. Only unhelpful development was Danish/German request for figures estimating size of total budget (and room within existing own resources) in 1981 and 1982. Commission reaction helpfully robust. Emphasised the importance of not reopening battle over figures at this stage: did not volunteer more figures.

5. On linked items Foreign Ministers urged agricultural Ministers to clarify technical points on sheepmeat. Germans continue to stress importance of fish.

/CAP PRICES

CAP PRICES/ECONOMIES AND SHEEPMEAT

6. There have been no significant developments since the European Council. The Agriculture Council's current session will probably last from 6-8 May inclusive. On prices/economies, the Commission are expected to confirm the compromise proposals for an average 5% increase tabled in Luxembourg. The Council will be under pressure, particularly from the French, to agree a settlement.
7. It is not clear how far the French will press. They have told us that they will not take national measures to implement new prices at this stage. They will be seeking a devaluation of the green franc (which we will not oppose), which will give their farmers some increase. There has been no indication that they will press for a majority vote, (which would mean that we might have to threaten to invoke the Luxembourg Compromise), but they may want to push things far enough to highlight our isolated opposition.
8. On sheepmeat, the Commission are likely to table a new compromise, excluding export rebates. This would be a moderate improvement, but we will almost certainly need to press for further changes.
9. We have arranged for reports on the Council to be sent to Belgrade.

FISH

10. One Fisheries Council planned before Venice but no date set. Commission will need to make new proposals.

11. Germans (well supported by eg. Dutch) seem persistent in wanting renewed Council commitment on equality of access to fishing grounds. Access preference, an important point of principle for us, inextricably linked with other key elements of CEP negotiation (e.g. quotas). Work currently in hand by UK officials on how best to proceed on fish.

FORTHCOMING MEETINGS

12. Meetings already arranged where it may be possible to make progress in the weeks before the Venice European Council (12/13 June) include:

12 May:	(Possibly)	Finance Council
12/13 May (provisional):		Agriculture Council
17/18 May:		Informal meetings of Foreign Ministers
19/20 May (provisional):		Agriculture Council
2/3 June:		Foreign Affairs Council

[FOR USE IF NECESSARY, ONLY WITH GISCARD AND SCHMIDT: There is a secret Anglo/French/German meeting of Foreign Ministers on 12 May in Bonn]

FOREIGN AND COMMONWEALTH OFFICE

6 May 1980

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PRESIDENT TITO'S FUNERAL

Meeting with Mrs Gandhi

Points to Make

Afghanistan

1. If the Sub Continent is to escape a great power confrontation, the Soviet forces must get out. How can we convince the Russians that their continued occupation of Afghanistan is unacceptable? This will need sustained political efforts.
2. We ourselves are sceptical about the Afghan Five point proposals and the Cuban efforts. Both have the hallmark of Soviet attempts to divide their critics. Does Mrs Gandhi see a role for Non-Aligned countries in seeking a solution? We would prefer to see India, not Cuba, leading the Non-Aligned.
3. There has been strong support from some members of the Islamic Conference for an effort to promote a neutral and non-aligned Afghanistan - a course we ourselves favour. What are Mrs Gandhi's expectations from the Islamic Conference?
4. We value our continuing contacts.

Iran

5. Hope that influential non-aligned countries will mount an urgent diplomatic effort to secure the hostages release and remove this grave threat to stability.

Coastal Steel Plant

6. Hope the Indian government will take a favourable view of the bid by Davy consortium for coastal steel plant. Understand there is a possibility of a visit by Commerce Minister Mukherjee in June. We would welcome this. Look forward to increased trade between UK and India, to which steel plant contract would make a welcome contribution.

/Jaguar...

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Jaguar aircraft supply problems (if raised)

7. Understand that Indian government have complained about serviceability and supply of parts for Jaguars in Indian Air Force. Hope discussions with British Aerospace will lead quickly to satisfactory solution. We should together identify and solve any problems in this complex contract for sophisticated equipment.

Pakistan's Readmission to the Commonwealth (if raised)

8. Pakistan's reentry a matter for the Commonwealth as a whole. We for our part would welcome it. Recognise Mrs Gandhi has views on timing.

Prince of Wales visit (if raised)

9. Realise that official visit by Prince of Wales has twice had to be cancelled (1975 and 1979).

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Essential Facts

(Internal developments - See Delhi telegram no 368 attached)

Afghanistan

1. Indians seem to be moving in the right direction. In public Mrs Gandhi is cautious but the Soviet troop presence has had a useful educational effect and in private she is far more robust in her condemnation of the Soviet invasion. It is therefore desirable to encourage her by (leading) questions.

2. (Not for use)

There is some evidence that they are thinking of proposals that are vague and inadequate on withdrawal. They would include

- (a) international recognition of independent and non-aligned AFGHANISTAN. The Indians have not formally endorsed the concept of neutrality. (The point need not disturb us; an independent Afghanistan would mean Soviet withdrawal).
- (b) formation of a freely elected compromise government to include religious and nationalist elements. Babrak Karmel to be replaced.
- (c) Recognition of the Durand Line.
- (d) International supervision of the Afghan/Pakistan border - this does not deal with the Soviet/Afghan frontier.
- (e) Undertaking by major powers not to send large arms shipments to Afghanistan.

Our view on Indian thinking is that it needs toughening up, but that there is nonetheless much here we could accept.

Iran

3. The Non-Aligned states' meeting called by President Bani Sadr for 10-12 May must not be allowed to become a mere propaganda session presenting Iran as the aggrieved party in its relations with the United States.

Coastal Steel Plant

4. The Davy consortium bid for construction of a coastal steel plant at Paradip would bring ₹400-500m of business.

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/Jaguar...

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Jaguar aircraft supply problems (if raised)

5. Indians recently dissatisfied with serviceability of aircraft and supply of spares. We suspect some active French interest in replacing the Jaguar contract with French aircraft.

Pakistan's Readmission to the Commonwealth

6. Mrs Gandhi told the Foreign and Commonwealth Secretary during **the Zimbabwe** independence celebrations that the time was not ripe for Pakistan to rejoin the Commonwealth, and she hoped there would be no question of Pakistan being invited to rejoin. (She has made clear previously that she believes Pakistan should make the first move).

7. The Commonwealth Secretary-General has told us that while he sees no objection in principle, he believes it is necessary to be cautious over timing. Clearly it will be difficult to take the matter further until there has been some mellowing in Indo-Pakistani relations.

Prince of Wales visit (if raised)

8. The Indians have not yet suggested reviving the idea. Nor should we. There is a possibility of full 2 week visit in late autumn 1980; but final decision may be deferred until June/July as Palace do not wish to risk third cancellation and political situation in India may then be clearer.

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FM DELHI 050650Z MAY 80

TO IMMEDIATE FCO

TELEGRAM NUMBER 368 OF 6 MAY.

INFO SAVING ISLAMABAD, WASHINGTON, UKDEL NATO, MOSCOW AND PEKING.

MY TELNO 367 : MRS GANDHI'S PERFORMANCE

1. AS BACKGROUND TO A POSSIBLE MEETING IN BELGRADE YOU MAY LIKE TO HAVE MY ASSESSMENT OF MRS GANDHI'S FIRST 4 MONTHS IN OFFICE.

DOMESTIC

2. MRS GANDHI IS AT PRESENT POLITICALLY SUPREME. THE OPPOSITION HAS SPLINTERED HOPELESSLY AND THERE IS NOBODY IN HER PARTY TO CHALLENGE HER. SHE HAS A LARGE MAJORITY IN THE LOWER HOUSE AND CAN COMMAND THE NECESSARY TWO THIRDS MAJORITY OF BOTH HOUSES TO AMEND THE CONSTITUTION IF REQUIRED. SHE HAS FORCED EARLY ELECTIONS AT THE END OF MAY FOR THE ASSEMBLIES OF 9 OF THE LARGEST STATES. HER PARTY IS LIKELY TO WIN IN ALL OF THEM. HER SON SANJAY, AGE 34, IS THE SECOND MOST IMPORTANT PERSON IN INDIA AND HAS HAD A LARGE SHARE IN CHOOSING CANDIDATES FOR THE ASSEMBLY ELECTIONS. THE RESULTS ARE LIKELY TO INCREASE HIS POLITICAL BASE AND PATRONAGE AND THEREAFTER IT WILL BE DIFFICULT TO DISLodge HIM FROM THE POSITION OF HEIR APPARENT. HOWEVER, INDIAN POLITICS ARE FISSIPAROUS AND MERCURIAL. IT IS LIKELY THAT DISAPPOINTED EXPECTATIONS BOTH AMONGST POLITICIANS AND THE PUBLIC WILL OVER TIME PRODUCE AN EROSION IN MRS GANDHI'S POSITION AND ANIMOSITY TOWARDS SANJAY.

3. ALREADY THE NON PERFORMANCE OF MRS GANDHI'S GOVERNMENT HAS DISMAYED HER SUPPORTERS AND EVEN MANY WHO VOTED AGAINST HER. SHE PROMISED STRONG GOVERNMENT, BUT SHE IS REIGNING RATHER THAN RULING. IN THE THREE AREAS WHICH MATTER MOST, NOTHING HAS HAPPENED. LAW AND ORDER CONTINUES TO BE POOR SEMICOLON THE PRICE INDEX CONTINUES TO RISE (21 PER CENT INCREASE IN THE PAST YEAR) SEMICOLON AND INDUSTRY AND IRRIGATION BOTH SUFFER SEVERELY FROM A PATHETIC FAILURE TO IMPROVE OUTPUT FROM THE INSTALL THERMAL POWER CAPACITY. THE EXPLANATIONS ARE LEGION. THE MOST IMPORTANT IN MY VIEW IS THAT MRS GANDHI, WISHING NOT TO REPEAT THE MISTAKES OF THE EMERGENCY AND NOT KNOWING QUITE HOW TO MAKE THE GOVERNMENT MACHINE WORK WITHOUT DOING IT ALL HERSELF, HAS FAILED DESPITE HER NEARLY COMPLETE AUTHORITY THROUGHOUT THE STATES TO GET THE RIGHT MEN INTO THE RIGHT JOBS WITH THE RIGHT DIRECTIVES. SHE IS FEARED AND RESPECTED, BUT SHE TRUSTS SCARCELY ANYONE AND FEW TRUST HER. THE DEMORALISATION IN THE PUBLIC SERVICES RESULTS IN INACTIVITY.

THE NORTH EAST

4. THE PROBLEM IN ASSAM AND THE SURROUNDING TRIBAL STATES IS ACUTE AND DEEP-SEATED. IT IS A FEAR THAT THE CULTURAL IDENTITY OF

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/ THESE

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THESE SMALL PEOPLES IS BEING SWAMPED BY INCOMERS. CONTRARY TO THE VIEWS OF MOST OBSERVERS, I THINK MRS GANDHI IS ONE OF THE FEW PEOPLE IN DELHI TO UNDERSTAND THE PROBLEM AND IS DEALING WITH IT RATHER WELL. HER PRESENT POLICY IS ONE OF CONTAINMENT AND MASTERLY INACTIVITY, BUT EVEN IF IT WORKS, THERE WILL BE DIFFICULTIES FOR A LONG TIME TO COME.

FOREIGN AFFAIRS

5. I HAVE COVERED THIS FULLY IN RECENT TELEGRAMS AND LETTERS. MRS GANDHI HAS ROWED BACK FROM A DISASTROUS START AND IN INDIAN EYES IS DOING WELL. SHE DOES NOT LIKE THE RUSSIANS COMING SO CLOSE AS THE AFGHAN BORDER. HENCE SHE HAS BECOME SLIGHTLY LESS PRICKLY TOWARDS PAKISTAN AND CHINA. SHE WOULD BE GLAD TO SEE AN INDEPENDENT AND NON ALIGNED AFGHANISTAN AND MAY WELL SEND HER FOREIGN MINISTER TO MOSCOW IN THE NEXT FEW WEEKS, BUT WITHOUT MUCH EXPECTATION OF ACHIEVING ANYTHING SIGNIFICANT.

INDO-BRITISH RELATIONS

6. MRS GANDHI VALUES PRAISE OR BLAME FROM BRITAIN MORE THAN FROM OTHER COUNTRIES. SHE BELIEVES THE BRITISH MEDIA ARE BIASED AGAINST HER AND THIS PROBABLY POSES THE GREATEST DANGER TO OUR CURRENT GOOD RELATIONS. I HAVE TOLD MRS GANDHI OF BRITISH BIDS FOR THE NEW COASTAL STEEL PLANT, AND IN THE FIELDS OF COAL MINING AND ELECTRICITY SUPPLY. I HAVE URGED THE ADVANTAGES IN TERMS OF SPEEDY DEVELOPMENTS IN THESE KEY SECTORS OF THE INDIAN ECONOMY. MAJOR DECISION IN ALL 3 FIELDS ARE EXPECTED IN THE NEXT FEW WEEKS AND HER VIEWS, IF EXPRESSED, WILL BE DECISIVE.

7. I AM SEEING THE FOREIGN SECRETARY THIS AFTERNOON. HE HAS PROMISED TO LET ME KNOW THEN IF THERE ARE ANY SPECIFIC SUBJECTS MRS GANDHI WISHES TO RAISE.

FCO PLEASE PASS SAVING TO ISLAMABAD, WASHINGTON, UKDEL NATO, MOSCOW AND PEKING.

THOMSON

(REPEATED AS REQUESTED)

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CONFIDENTIAL

INDIA: BACKGROUND FACT SHEET

<u>Population</u>	675 million		
<u>Government</u>	Congress (Indira) Party (since January 1980)		352 seats
	Opposition in disarray: Main Parties in Lower House	Lok Dal	41 seats
		C.P(M)	35 seats
		Janata	31 seats
		Others	67 seats

Economy

Gross domestic product grew by 7.2% in 1977/78 and by 3-4% in 1978/79.

Industrial output grew by 8-10% in 1978/79 but agricultural sector dominates the economy, employing over two-thirds of labour force.

Main exports: engineering goods, tea, gems, leather and leather goods, tobacco, silver, jute goods, clothing.

Excellent harvests of 1977 and 1978 offset by severe drought in 1979, reducing grain reserves to about 18 million tons.

Current account surplus down from US \$ 1 billion in 1977/78 to US \$ 400 million in 1978/79

Aid

UK bilateral aid totalled £114 million in 1979/80. India is recipient of largest UK bilateral aid programme.

Trade

British exports to India totalled £456 million in 1979.

Indian exports to Britain totalled £366 million in same period.

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INDIA - PERSONALITY NOTE

GANDHI, MRS INDIRA

Born 1917, daughter of Jawaharlal Nehru. Educated India, Switzerland and, briefly, Somerville College, Oxford. Married Feroze Gandhi 1942. Imprisoned 1942-3. President of Congress 1959-60. Minister of Information and Broadcasting 1964-66. Prime Minister 1966-67. Defeated in her constituency of Rae Bareilly March 1977. January 1980 - reelected Prime Minister.

Her childhood was unhappy and lonely. Her father spent much time in jail and her mother was ill. As her marriage began to fall apart she became her father's confidante and took a part in party affairs. On his death, most of his former colleagues turned against her or disregarded her. It was almost by chance that she became Prime Minister two years later. The Congress establishment mistakenly thought she would be a malleable figurehead. In 1969 the Party split. The years 1969-71 were her most brilliant. The General Election and the State Elections of 1971 and 1972 were personal triumphs. But it became clear that her political vision was limited; in spite of a high Parliamentary majority, she made little headway against India's problems. Her more able advisers became disenchanted, and were dropped. A brutally suppressed railwaymen's strike in 1974, opposition rumblings in the Congress itself, and a judgement against her in a petition challenging her election led up to the declaration of a state of internal emergency (June 1975).

During the Emergency power was further centralised, and the Opposition jailed. India remained in deep economic recession and the forced sterilization programme got out of hand through her son, Sanjay's excesses. The latter contributed largely to the heavy defeat of the Congress at the polls in March 1977.

Mrs Gandhi's touch became less sure after her defeat. Her Achilles heel remained Sanjay, whom she refused to disown politically. It became increasingly clear that her only way back into politics would be through a new political grouping. This - the Congress (I) - was established in January 1978. The Janata split and Mr Desai's resignation in July 1979 provided the opportunity for her political comeback and her return to the premiership of the elections which followed, at a time when her fortunes appeared to be at their lowest since her 1977 defeat.

Mrs Gandhi is an ascetic, neither drinking nor smoking nor having any close friends outside her immediate family. She can be alternately completely charming and then preoccupied and withdrawn to the point of rudeness. She appears to be a lonely individualist motivated by a love of power.

Two sons. The elder, Rajiv, generally keeps out of politics.

PRESIDENT TITO'S FUNERAL: MEETING WITH SPANISH PRIME MINISTER
POINTS TO MAKE

GIBRALTAR

1. Welcome Lisbon agreement over Gibraltar. Spain right to switch to policy of wooing Gibraltarians: the only way.
2. Political movement over Gibraltar certain to take a very long time. Expectations should not be raised. Re-establishment of confidence the key. Spain should work at it.
3. Removal of Gibraltar irritant to bilateral relations very much in interest of both countries, especially trade. European Community interests complementary.

EUROPEAN COMMUNITY

4. Support Spanish entry. Some difficult points for Britain, particularly over fisheries. But troubles may come from others. Support aim of accession in 1983.

WESTERN DEFENCE

5. Britain wants Spain to join NATO. Aware of internal political dimension. What is current thinking, especially on timing?

ESSENTIAL FACTS

GIBRALTAR

1. In Lisbon on 10 April, Lord Carrington and the Spanish Foreign Minister agreed 'to start negotiations aimed at overcoming all the differences between them on Gibraltar' and the Spanish Government agreed to lift restrictions; preparation of the practical steps to implement this agreement were to be completed not later than 1 June. Spanish administrative procedures are proving cumbersome; a number of practical difficulties have arisen but there has been no real sign yet of Spanish bad faith and the agreement seems likely to stick. The Spanish Foreign Minister has acknowledged that the British commitment to respect Gibraltarian wishes over their future is firm, that changing Gibraltarian minds is bound to take a long time and that no firm commitment over the eventual outcome can be given.
2. A further meeting between Lord Carrington and Senor Oreja has been arranged for London on 9 June. By then all restrictions should be off, or a firm timetable for lifting them announced. Gibraltarian leaders are content but nervous over negotiations which include discussion of sovereignty. The main dangers are that the Spaniards will wish to maintain some elements of the restrictions in order to pressurise the Gibraltarians and that the negotiations, which cannot offer the Spanish side anything much of substance for a long time, will bog down in acrimony. But reimposition of restrictions is unlikely to be a practical option for Spain, and a genuine change of policy would remove a serious inhibition in Anglo-Spanish relations, affecting in particular British commercial interests, eg over defence contracts.
3. At the Lisbon meeting, Lord Carrington told Senor Oreja that no British Parliament would ratify Spanish accession to the European Community while restrictions on Gibraltar remained. Accession being a corner-stone of Senor Suarez's policy, the pressures had started to build up.

/SPANISH ACCESSION

SPANISH ACCESSION

4. Negotiations about half way through overall view stage. The Spaniards aim to break the back of the negotiations this year, complete them in 1981, allowing 1982 for ratifications, with accession on 1 January 1983. But the timetable will probably slip.
5. The French will be difficult, particularly over agriculture, at least until after the Presidential election in 1981. The financial implications of Spanish accession for CAP are far reaching, particularly over olive oil. Changes in the acquis before Spanish entry may be necessary.
6. But the Spaniards are inclined to accept the line, doubtless put to them by the French, that difficulties over their negotiation are attributable to the Community's internal machinery being disrupted by Britain's policy on the EC Budget.
7. With Gibraltar out of the way, only major bilateral problem in negotiations is likely to be fisheries.

SPAIN-NATO

8. Senor Suarez wants to join. The Socialists and Communists are opposed. No move would in any case be contemplated ahead of the Madrid CSCE review conference starting in the autumn. A broader internal consensus over membership is thought to be a pre-requisite but Senor Suarez and his colleagues are known to wish to join before the next election in 1983.

MADRID CSCE MEETING

9. The Spaniards, like us, share the belief that the meeting should go ahead, despite unpropitious circumstances. In general they are adopting a robust line and not playing the neutral chairman.

VISITS

10. Senor Suarez returned on 6 May from a visit to Jeddah. The Spaniards had agreed in advance of the visit that he would speak about British-Saudi relations.
11. The Home Secretary is due to visit Madrid on 28-30 May. The arrangement will probably stand despite a Government

/reshuffle



reshuffle on 2 May which involved the Interior Minister as well as two of the economic Ministers; the reshuffle followed discontent in the governing party over the handling of regional policy.

Southern European Department
Foreign and Commonwealth Office

6 May 1980

SUAREZ GONZALEZ, Adolfo

President of the Council of Ministers (ie Prime Minister).
Leader of UCD and Deputy for Madrid.

Born 1932 in the small town of Cebreros in the Province of Avila. Studied law at Salamanca and Madrid. From 1958 to 1964 worked in various departments of the organisation of Franco's National Movement. From 1964 to 1973 he occupied increasingly important posts in radio and television, with an interval from 1968 to 1970 as Civil Governor of Segovia.

Appointed Secretary-General of the National Movement (and thus a junior Cabinet Minister) in the King's first Cabinet in 1975. He did not, however, attract particular public attention and the King's choice of him to succeed Arias as Prime Minister in June 1976 came as a surprise. He showed considerable political skill and determination in steering the country through an initial programme of constitutional reform leading in June 1977 to the holding of the first democratic election for 35 years.

At these elections, the UCD alliance led by Suarez emerged as the largest single party, and he was charged with forming a Government. This he did based on the UCD alone; but he then negotiated with all the other main parties both to secure consensus on the policies necessary to overcome the political and economic crisis facing the country (the 'Moncloa Pact') and to promote an all-party approach to the formulation of the new Constitution. Meanwhile, he managed to weld the UCD into a single cohesive party. After the entry into force of the new Constitution, Suarez called new elections and, on 1 March 1979, his party was again returned as the largest single party, with 168 of the 350 Congressional seats.

Personable and hardworking, Suarez has shown tactical skill and a good sense of political timing which have, up till now, given him the mastery of both the UCD and the Spanish political situation. He was criticised, in the period following the 1979 general election, for an apparent failure to tackle the pressing problems of a Basque statute of autonomy and of revitalising Spain's economy. But by quiet and persistent negotiation, he succeeded in reaching agreement on a statute with all the Basque representatives in the Cortes, and has begun to tackle the country's economic difficulties. His political position is therefore secure for the time being, despite recent set-backs in the Government's regional policy over the handling of the devolution issue, which led to a Cabinet reshuffle on 2 May. New personalities have been brought in to help him cope with the economic crisis, terrorism and regionalism. Probably stronger as a conciliator than as a policy-maker, he can nevertheless be autocratic when the moment of decision arrives. He has never revealed where he stands within the broad spectrum of the political centre which the UCD covers, but is thought to incline intuitively more towards the Social Democrats. He clearly relishes power and enjoys the close confidence of the King.

Married with 5 children.

Speaks some French but virtually no English.



OREJA AGUIRRE, Marcelino

Minister of Foreign Affairs. UCD Deputy for Guipúzcoa.

Born Madrid 1936 of Basque parents. Entered the Diplomatic Service in 1959, and became Director of the Minister's Private Office in 1962. In 1971 he became Director for International Relations of the Bank of Spain. Appointed Under Secretary for Information and Tourism in December 1973 and achieved a reputation for being both progressive and outspoken.

Despite his initial lack of a power-base within the party, his position is increasingly secure. He is now a leading figure in the Government, although he lives in Suarez' shadow, and an increasingly effective Foreign Minister. His position has been enhanced by the agreement on Gibraltar that he reached with Lord Carrington on 10 April. This change in Spanish foreign policy owes a good deal to him personally. He has invested a good deal in seeing the Lisbon agreement successfully implemented.

A pleasant, but not a dominating, personality. He is open and easy to deal with, though he can at times adopt a somewhat legalistic approach. Speaks excellent English and French. Married with two young children.

SPAIN: FACT SHEET

1. Population and Land Area

- | | |
|----------------|---|
| (a) Land Area | 194,883 sq m (504,748 sq km)
(including Canary and Balearic Islands) |
| (b) Population | 36.4m |

2. Basic Statistics

Gross National Product

1978

- | | |
|-----------------|------------------------------|
| (a) Total | £160,000m |
| (b) Growth Rate | 3.2% (4% estimated for 1979) |
| (c) Per Capita | £2,878 |

3. Trade with UK

1979

- | | |
|-----------------|-------|
| Exports to UK | 1.46% |
| Imports from UK | 1.58% |

Total Value of Exports to UK £625.5m (5% share of Spanish market)

Real Growth of Exports 0.1%

Position in UK's Export League Table 17 (of 111)

THE PRIME MINISTER'S VISIT TO YUGOSLAVIA FOR PRESIDENT TITO'S
FUNERAL

MEETING WITH PRESIDENT KAUNDA OF ZAMBIA

POINTS TO MAKE

Anglo-Zambian Relations

1. Hope that relations between Zambia and Britain will be restored to normal friendly basis, with independence of Zimbabwe and appointment of new British High Commissioner.

Daily Mail Article of 2 May [Defensive: If raised by President Kaunda]

2. Sorry that article in the Daily Mail of 2 May criticising President Kaunda's policies has caused offence. As President Kaunda knows, HMG has no responsibility for what appears in the British Press.

3. Recall remarks at presentation of awards to Zambian Press Association last August 'Prime Ministers are not always immune from criticism, as I know only too well'. British Press, like the Zambian Press, is known for being lively and no respecter of persons or institutions.

Iran: Non-Aligned Meeting

4. The Non-Aligned states' meeting called by President Bani Sadr for 10-12 May must not be allowed to become a mere propaganda session presenting Iran as the aggrieved party in its relations with the United States. Urge influential non-aligned countries to mount an urgent diplomatic effort to secure the hostages' release and remove this grave threat to stability.

ESSENTIAL FACTS

1. President Kaunda's Political Adviser (Mark Chona) told our High Commission that Kaunda hoped to meet the Prime Minister at Belgrade. We do not want to encourage a meeting; but if one takes place, it will give an opportunity to put Anglo-Zambian relations on a more cordial basis.
2. Our relations with Zambia, which reached a high point with the Commonwealth Heads of Government meeting in Lusaka last August, deteriorated during the Lancaster House Conference. They reached their nadir when Zambian mobs attacked our High Commission in November and our High Commissioner was withdrawn 'for consultations'. Kaunda had a friendly meeting with Lord Carrington in Salisbury at the Zimbabwe independence celebrations, and we have sought agreement for a new High Commissioner. He is expected to arrive next month, if Zambia accepts our nominee.

Daily Mail Article

3. We have been told by our High Commission in Lusaka that President Kaunda is 'furious' at an article in the 'Daily Mail' on 2 May (copy attached). It is certainly vitriolic in tone. It refers to a 'paranoic outburst' by Kaunda and says that his dictatorial tantrums are reminiscent of Idi Amin in his heyday. It was written by the Mail's Salisbury correspondent.

4. The article has been prompted by an emotional press conference given by Kaunda on 23 April, when he delivered a blistering attack on Chipimo, the Chairman of the Standard Bank in Zambia. Chipimo, in an after-dinner speech, had advocated the multi-party system as the 'surest way of avoiding coups and eliminating the disgraceful tendency of Presidents winding up with bullets in their heads'. Kaunda also denounced the 'Times of Zambia' for printing Chipimo's speech. The Daily Mail article also quotes extensively from a report by a French economist, Professor Dumont, on the shortcomings of the Zambian economy. The article gives no credit to Kaunda for the relatively liberal, humanist and open society which Kaunda has maintained in Zambia, nor does it recognise the disruption caused to Zambia's economy by the Rhodesian conflict.

Aid

5. Despite public spending cuts, Zambia will continue to receive substantial aid from the UK. In 1979/80 we spent about £30 m and in 1980/81 expect to spend well over £20 m. An agreement to provide a £10 million loan for agricultural projects was signed in January 1980.

Trade

6. Zambia is Britain's fifth largest customer in Africa and supplies us with about 30 per cent of our cobalt and about 20 per cent of our copper. Because of the extent of her indebtedness (£40 m), Zambia is at present 'off cover' from ECGD. The Governor of the Bank of Zambia had talks with ECGD recently and hopes to take the necessary steps to restore Zambia's credit.



BACKGROUND

Zambia

1. Zambia became an independent member of the Commonwealth in 1964. It has a population of over 5m, including some 30,000 British expatriates. Its main exports are copper and cobalt.

President Kaunda

2. Dr Kenneth Kaunda was born in 1924. An active nationalist, he was imprisoned in 1955 and 1959 for political activities. On his release in 1960 he formed the United National Independence Party (now Zambia's sole party). He became President of Zambia in 1964. He last visited London in November 1979.

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FUNERAL OF PRESIDENT TITO; MEETING WITH THE PRESIDENT OF NIGERIA
POINTS TO MAKE

GENERAL

1. Congratulations on Nigerian achievements: smooth efficient return to civilian rule; exemplary conduct free and fair elections in second-largest Commonwealth democracy. Speedy and massive programme of economic development showing the way to Africa and the world.

ZIMBABWE

2. Warm congratulations over Zimbabwe much appreciated. Thanks for Nigerian contribution to settlement process.

BILATERAL RELATIONS

3. Relations always close. Many links between us. Determined to develop them further. Much to offer each other: British trade and industry ready to assist every way possible in Nigerian progress. Mr Nott much looking forward to visit 12-14 May: firm indication our desire to assist in economic development. Hope for major programme of visits in each direction.

OTHER VISITS

4. Look forward to receiving President in Britain in due course.
5. Hope Foreign Minister Professor Audu can visit Britain this summer as HMG's guest.

IRAN/NON-ALIGNED MEETING

6. The non-aligned states' meeting called by President Bani Sadr for 10-12 May must not be allowed to become a mere propaganda session presenting Iran as the aggrieved party in its relations with the United States. Urge influential non-aligned countries to mount an urgent diplomatic effort to secure the hostages' release and remove this grave threat to stability.

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LHAJI SHEHU SHAGARI

PRESIDENT OF THE FEDERAL REPUBLIC OF NIGERIA

Northern Muslim. Born 1924. Educated in Northern Nigeria. Elementary Teachers' Certificate from Teachers Training College.

Teacher 1945-53. Elected to House of Representatives 1954. Parliamentary Secretary to the Prime Minister in 1958. Acting Minister of Commerce and Industry October to November 1959. Federal Minister of Pensions, Federal Minister of Internal Affairs 1962-5 and Federal Minister of Works (1965). In 1967 appointed North-Western State Commissioner for Establishments, transferring to Education and Community Development in November 1969. Served as State's representative on the Federal Executive Council in the summer of 1970, and was Commissioner without Portfolio. Appointed Federal Commissioner for Finance by Gowon in October 1971. Made several public statements advocating indigenisation, an eventual return to civilian rule and the creation of more states. Left the Government after the July 1965 coup. His main backing comes from the Northern Establishment and he was eventually selected in December 1978 as Presidential candidate for the National Party of Nigeria (NPN).

A reserved, capable, well-balanced and moderate man, but somewhat lacks charisma. Almost a donnish figure. A sound administrator who has never been tainted with suggestions of corruption. A dignified and intelligent man with a low-key approach who has done his utmost to promote conciliation and national unity. Favours private enterprise and encouragement of foreign and domestic investment. Although still early to make a definitive judgement, his administration has been criticized for excessive caution and has made several political blunders. Doubts have arisen over whether he possesses the necessary qualities of leadership and political management to be an effective President under the new American-style system.

Has affection for Britain and attaches considerable importance to relations with Britain. Has restricted his foreign travel to West Africa since taking office. Attended the Zimbabwe Independence Celebrations where he met Lord Carrington.

Married with five children. Recreations include reading and indoor games.



Foreign and Commonwealth Office

London SW1A 2AH

5 May 1980

Michael Alexander Esq
Private Secretary
No 10 Downing Street

Les
P. Hunt 9/15

Dear Alexander,

POSSIBLE BILATERAL MEETINGS AT PRESIDENT TITO'S FUNERAL

1. You asked for suggestions on what bilateral meetings the Prime Minister might have in Belgrade. We wrote offering preliminary advice on this on 15 February.
2. There is likely to be time for only two or three substantial meetings: one or two on the evening of Wednesday 7 May (when there are no official engagements); and possibly a breakfast meeting on the morning of 8 May. There will however also be opportunities for briefer meetings during the buffet lunch which the Yugoslav Government is arranging for senior representatives on 8 May.
3. It seems unlikely that President Carter will attend the funeral. If he decides to do so, Lord Carrington assumes that the Prime Minister would wish to have a meeting with him. If, as seems more probable, Vice-President Mondale is the US representative, Lord Carrington does not see any overriding need for the Prime Minister to see him. It would be more important, in Lord Carrington's view, to try to do as much fence-mending as possible with our EEC partners, particularly Schmidt, Giscard and Cossiga. Lord Carrington would not expect the Prime Minister to discuss the substance of the budget problem with them; rather, she could urge them to get the whole nexus of issues in dispute settled before the Venice European Council; emphasize her own willingness to do so; make clear that in our view the gap remaining is relatively small, and is bridgeable; and suggest that the Foreign Ministers should be given a clear mandate to settle.

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4. Other strong candidates for meetings with the Prime Minister would be Mrs Gandhi, President Sadat and President Shagari of Nigeria (if he comes). Mrs Gandhi could be a key figure in our attempts to galvanize Third World opposition to the Soviet presence in Afghanistan. President Sadat has not met any member of the present Government since it took office. A meeting with President Shagari would be helpful in view of the commercial importance of our relations with Nigeria. The Prime Minister has not met President Kaunda since the Lancaster House Conference and he would be another candidate.
5. Other possibilities would be Chairman Hua, who has already announced that he will be going to Belgrade, though there is no essential business to conduct with him; and President Zia of Pakistan.
6. Lord Carrington does not recommend that the Prime Minister should seek a meeting with President Brezhnev if he decides to attend, or with any other senior Soviet representative, though he thinks the Prime Minister ought to be prepared to respond positively if the Russians ask for a meeting. Lord Carrington himself is considering, subject to further news about American intentions, the possibility of a meeting with Mr Gromyko in Vienna on 16 May in the margins of the Austrian State Treaty ceremonies.

yours ever,

Robert Cooper

for Paul Lever

Assistant Private Secretary

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