

ge Mosler

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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRIME MINISTER OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA,
MR. VESELIN DJURANOVIC, ON WEDNESDAY, 24 SEPTEMBER 1980 AT

1430

PRESENT

Prime Minister	H.E. Mr. V. Djuranovic
H.E. Mr. E. Bolland	Mr. Andov - Member of the Federal Executive Council
Mr. E. A. J. Fergusson	Mr. Cicanovic - Senior Political Adviser to Mr. Djuranovic
Mr. M. O'D. B. Alexander	Mr. Melovski - Assistant to the Federal Secretariat for Foreign Affairs
Mr. B. Ingham	H.E. Mr. Berisajljevic - Yugoslav Ambassador to London
Mr. T. J. Clark	Mr. Jovanovic - Head of Western European Department of the FSFA
Mr. B. Sparrow	Mr. Mitic - Head of Section for Great Britain and Northern Ireland and Scandinavia in the West European Department of the FSFA
Mr. D. Miller	

Mr. Djuranovic welcomed the Prime Minister. He looked forward to this visit as an event of great significance and as a stimulus for the further development of the good bilateral relations between the two countries and of co-operation in international affairs. The Yugoslav people had been much impressed by and grateful for the support shown to their country at the time of President Tito's funeral. The Prime Minister said that the high level of the British delegation to President Tito's funeral had been a deliberate gesture to emphasise Britain's friendship for Yugoslavia and admiration for President Tito as an outstanding statesman.

The Prime Minister stressed that the discussions should be as frank as possible. It was important that both sides spoke their minds without inhibition, whilst preserving discretion outside. She was sure that Mr. Djuranovic had no doubts about Britain's support for Yugoslavia's independence and integrity.

Mr. Djuranovic agreed that it was important that we should be frank with each other.

/Bilateral Relations

Bilateral RelationsTrade

Mr. Djuranović referred to the large and long lasting deficit in Yugoslavia's trade with the United Kingdom. In his view, such a deficit was not in the spirit of the good bilateral political relationship. He hoped that something could be done to reduce the size of the deficit over a period of years. Yugoslavia did not wish to reduce its deficit by imposing restrictive measures but rather by expanding her own exports. The Yugoslavs were particularly distressed by the fact that food products, which had once accounted for 46 per cent of Yugoslavia's trade with Britain, had been reduced following Britain's entry to the EC to a level where they now represented less than 3 per cent of the trade.

The Prime Minister pointed out that in a very competitive world it was up to the seller to produce goods that were wanted at an acceptable price. She expressed the hope that perhaps more aggressive marketing and the establishment of a Yugoslav wine and food centre in London might bring about an increase in Yugoslavia's exports. The agreement signed with the EC should provide some scope for expanding Yugoslav sales. Mr. Djuranović said that it was perhaps a little early to expect to see any major changes following the agreement. His government were nevertheless disappointed at the relative lack of progress. He hoped that the visit of the Yugoslav Secretary for Foreign Trade to London in July and the return visit by Mr. Parkinson next spring would help to make progress in this field. The coverage of Yugoslav imports by exports with the United Kingdom was lowest amongst her EC partners. He recognised that the main responsibility for changing the situation lay with Yugoslav industry. His government were making great efforts, by means of seminars in particular, to draw the attention of Yugoslav enterprises to the opportunities offered by the new agreement with the EC. He expressed his government's official gratitude for United Kingdom support during the long negotiations.

/The Prime Minister

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The Prime Minister pointed out that the United Kingdom market was open, that the exchange rate favoured foreign suppliers and that the British market was used to variety. In these circumstances there should be scope for improving Yugoslavia's performance.

Finance

Mr. Djuranovic explained that Yugoslavia's large balance of payments deficit, which had been significantly increased by recent increases in the price of oil, meant that she had to look for some short term financial assistance to tide her over a difficult period. In looking for credits from abroad Yugoslavia had preferred a bilateral approach. There had been some preliminary discussions with a group of four London banks with a view to the provision of \$100 million in 1980 followed by another \$100 million in 1981. In discussions with these London banks it had become clear that there was a preference on their part for acting on a multi-lateral basis, to involve United States, Canadian and possibly Japanese banks. While the Yugoslavs would prefer a bilateral arrangement, they did not object to a multi-lateral, syndicated loan provided the sums involved met their needs. Yugoslavia was determined to keep her balance of payments deficit for 1980 down to \$2 billion. It might be possible to keep to a figure somewhat below this, due to increased tourist receipts, good harvests and an 11 per cent increase in exports in real terms. The present demand for international credits was to provide a breathing space and to increase Yugoslavia's reserves.

The Prime Minister said that she knew that banks tended to group together to provide credits on the scale Yugoslavia was looking for. She was certain that the Governor of the Yugoslav National Bank, in his recent discussions with the Governor of the Bank of England, would have found a spirit of co-operation and a source of sound advice. The United Kingdom fully understood the need for these credits and London, as a major international banking centre, would be able to play a useful role.

/Yugoslav Emigre Activity

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Yugoslav Emigré Activity

Mr. Djuranović drew attention to the activities of Yugoslav emigré organisations in the United Kingdom, particularly to the Croation National Council and to Četnik organisations. The United Kingdom was certainly not a base for terrorist activity but it had become a propaganda centre for such organisations which had increased their activities in the world since President Tito's death. The Prime Minister said she knew how strongly Yugoslavia felt about this and assured Mr. Djuranović that any terrorist activity in Britain would be dealt with swiftly and severely. If people guilty of criminal acts tried to come to London and the British authorities were informed in advance, something would be done about it. Mr. Djuranović should be reassured of the Prime Minister's personal condemnation of any activity directed against the independence and integrity of Yugoslavia. But she could not limit freedom of expression. Mr. Djuranović repeated that the emigré organisations were attempting to undermine Yugoslavia by all possible means. Such activity was increasing all over the world and seemed to have become particularly prevalent in London. Although the organisation started out with mere propaganda, this often led to violent acts such as the killing of the Yugoslav Ambassador in Sweden. The Prime Minister repeated that she understood the strength of Yugoslavia's feeling on this matter and stressed her determination to deal severely with any attempts at terrorist activity in the United Kingdom.

/International Affairs

International AffairsIraq/Iran

The Prime Minister expressed her great concern about the hostilities between Iraq and Iran. The general strategy should be to isolate the hostilities and to ensure that they did not spread. What tactics should be used to achieve this objective? The Security Council had already met and called for a ceasefire and political settlement. The Foreign Ministers of the Nine had also called for a ceasefire and welcomed the restraint being shown by the super powers. For the non-aligned, and Yugoslavia in particular, the situation was more difficult since both Iraq and Iran were members of the Non-Aligned Movement (NAM); moreover, Iraq was to be the next Chairman of the NAM. Perhaps it would be better to consider the problem in the smaller, Islamic group of the non-aligned rather than in the larger forum? The Security Council had recognised the need to ensure that hostilities did not spread. It was important that every forum, the Security Council, EEC or Non-Aligned made it clear that the kind of action taken by Iraq and Iran was totally unacceptable to the rest of the world. Otherwise no country would be safe.

Mr. Djuranović said he shared the Prime Minister's concern. The history of the dispute went back to 1911. At least part of the present problem was that Khomeini, who had been living in Iraq at the time, had condemned the Agreement signed with Iraq by the then Shah in 1975. Yugoslavia had good relations with both countries and had expressed its anxiety to both their Presidents. Political means must be found to stop the escalation. Mr. Djuranović suggested returning to this subject on the following day when fresh information would have been received from the Non-Aligned Co-ordinating Bureau now meeting in New York.

Arab/Israel

Mr. Djuranović said the Yugoslav position had not changed. A way out of the crisis could not be found through a separate

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solution. Although Camp David had not yet yielded its final results, time had shown that the settlement had not achieved its main aims and that the basic causes of the crisis still existed. What was needed was a different solution based on a different foundation. Some of the UN Resolutions came very close to offering a long-term solution. Support for the Palestinians must include their right to set up their own state. At the same time Israel had to be given firm guarantees. The problem of Jerusalem had made the situation even more complicated.

Camp David had led to a new division in the Arab world and among the non-aligned. Yugoslavia was not in favour of boycotting Egypt or suspending her from the Movement. This was not acceptable. The Venice Summit had shown the ability of Western Europe to make its own contribution towards a solution. Recent events in Western Europe pointed towards recognition of the PLO as the legitimate representative of the Palestinian people; this too was conducive to solving the problem. Mr. Djuranović asked about the degree of popular support for Mr. Begin. It was clear that people in Israel were not satisfied with the no war/no peace situation.

The Prime Minister said she agreed with much of what Mr. Djuranović had said. The problem was no nearer a solution. Many Arab states felt that if the present situation persisted the West Bank would become accepted as part of Israel. This was something to which the Arabs could never agree. It was not Israeli territory. Britain in fact recognised that the land belonged to Jordan. Britain did not consider Camp David to be a full solution either, but President Sadat had been very courageous in going to Jerusalem. Although Britain recognised Israel's right to exist between secure borders, we had found Mr. Begin very difficult to deal with. We had said to him, as to others, that it was wrong to set up new settlements on the West Bank. He had replied by saying that Samaria and Judaea had belonged to Israel in biblical times, therefore they belonged to Israel now. But much had happened since biblical times!

/The Prime Minister

The Prime Minister said it had been very important to ensure that no vacuum was left between the beginning of the election campaign in the United States and the elections themselves. The Prime Minister described the objectives of M. Thorn's visit to the Middle East. These had been (1) to discuss the principles of a settlement and (2) the means by which Palestinian statehood would be realised in practice. On the PLO the Prime Minister said there was a slight difference between the Yugoslav and British positions. We did not recognise the PLO as the sole legitimate representative of the Palestinian people because the PLO had been and was still to some extent connected with terrorism. It would be easier if they renounced terrorism in return for a settlement including mutual recognition between the Palestinians and the Israelis. M. Thorn had tried to talk to the West Bank Mayors but it had not been easy to get them together because of difficulties made by the Israelis. The hardest part of the problem to solve would be the question of East Jerusalem. The Nine had been firm in their reaction to the recent Knesset legislation. Western countries in general would not deal with Mr. Begin in East Jerusalem. Britain's Arab friends were of course very concerned at the lack of progress. The Israelis, when asked about the possibility of a Palestinian state, had said that such a state would be dominated and controlled from Moscow. The Gulf states did not agree. They said that if the Palestinians' main grievance was removed, such a possibility would not arise. In any case, the Arabs would provide much of the financial support for the new state.

East/West Relations

The Prime Minister defined the British concept of detente as being achieved through defence, and deterrence. Helsinki had dealt with all three factors with special emphasis on new ways of developing detente. Britain had had high hopes of achieving detente through reciprocity. But since Helsinki there had been setbacks. The worst was Afghanistan. If one nation occupied another by force, there was no security in the world. Britain could not have normal relations with the Soviet Union

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until her occupation of Afghanistan had ended. The Western allies all adhered to this principle. The subject of Afghanistan would dominate Madrid because one participating state had occupied another nation. Britain would be very critical of the Soviet position. The Western response to Afghanistan had in fact been a moderate one. Less technology and wheat was now being exported to the Soviet Union and some Western countries had tried to give guidance on the Olympic Games.

On MBFR, the Prime Minister said the participants had got almost nowhere mainly because it had been impossible to get at precise data. On TNF, the West was of course prepared to negotiate with the Soviet Union, which was far ahead on medium-range missiles both in type and number. We had therefore agreed to locating some American missiles in Britain to redress the balance. Although Madrid would be dominated by Afghanistan, we were equally concerned about the future implementation of Basket III. The Soviet Union had tightened up its regulations concerning many aspects of the Basket III provisions and had taken action against the Helsinki monitoring groups.

Mr. Djuranović said that Yugoslavia, as a small and non-aligned country, asked itself where the world was going. Not only was there no settlement of existing crises but new ones were emerging. This in itself might lead to yet further crises would could evolve into something which nobody would want to happen. The Yugoslav attitude was dominated by its interest in safeguarding peace and by its belief in the right of every people freely to decide their destiny without outside interference. This was the basis on which all existing problems should be solved. But the role of the big powers and military blocs was a reality. Yugoslavia accepted that they must take an active part in the solution of world crises if detente was to be promoted. But the fact that detente existed only between the two blocs was itself conducive to crises. On the one hand local crises could be caused by specific developments in particular regions. On

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the other hand, crises were caused by bipolarism and the sharing of detente by the two super powers. Further prospects for detente on such a basis were not good. This situation was precarious and depended too much on the interests of the super powers at any given moment. Dialogue was required on a larger scale in order to achieve a more dynamic progress in detente. The emerging role of China, the role of the UN and of regional organisations would be very important to this process. The present increases in military budgets and the standstill in disarmament negotiations were in conflict with the letter and spirit of Helsinki.

The Prime Minister said that each crisis had its own specific nature. If the United States had invaded Mexico for the same reasons as the Soviet Union had occupied Afghanistan, there would have been an international uproar. It was time to take a stand on principles. Each nation had its own integrity and that integrity must be respected. Otherwise none of us was safe. Although many of the national borders in Africa were inconvenient to the countries concerned, the OAU had insisted that those boundaries be accepted and respected. The Vietnamese invasion of Kampuchea had caused grievous problems which civilised society, through the UN, had failed to check. This was a blot on the UN. An absolute stand must be taken on principles if the nations of the world were to live in security. This was what Helsinki was all about. The CSCE process must be a reciprocal one. So far Helsinki had not worked out in the way we had wanted.

Mr. Djuranović said that he had referred to Yugoslavia's general view. It had taken its stand on each specific crisis, e.g. on Vietnam, Kampuchea, and it had not weakened on this point. It had been equally clear about the Soviet invasion of Afghanistan. This had been reconfirmed on many occasions and in the NAM. The Prime Minister said that Britain stood on the same principles and called for absolute adherence to them. The problem was that detente was a two-way process. We hoped that we were doing all that we said we would do. The British and Yugoslav peoples

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had no interest in a major war, or in subversion, or in invasion by proxy. Mr. Djuranović said he agreed with what the Prime Minister had just said and shared her views concerning hegemony, intervention and interference from outside; each nation had the right to determine its own fate. As to the NAM's role in solving international problems, it was well-known that both Kampuchea and Afghanistan had caused divisions among the non-aligned. But it was not a question of whether the policy of non-alignment itself had been reassessed, or of whether the NAM could be safeguarded or take a major role in solving crises. The Prime Minister said that if the non-aligned countries were to stay non-aligned and independent, they would have to play a major role. Here Yugoslavia was in a leading position.

Mr. Djuranović said that both Yugoslavia and India had been founders of the NAM. But now India recognised the Heng Samrin regime in Kampuchea. This did not mean that India had renounced non-alignment. India had its problems with China, with the United States and with Pakistan. India was in a very vulnerable situation. Although Yugoslavia did not agree with India on Kampuchea, what India had done was the best for India at the moment.

The discussion ended at 1730 hours.

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29 September 1980