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RECORD OF CONVERSATION BETWEEN THE PRIME MINISTER AND PRESIDENT MIJATOVIĆ IN BELGRADE ON 25 SEPTEMBER 1980, AT 1130

Present:

Prime Minister	President Mijatović
H.E. Mr. E. Bolland	Prime Minister Djuranović
Mr. E.A.J. Fergusson	H.E. Mr. S. Andov - Member of the Federal Executive Council for EC Affairs
Mr. M.O'D.B. Alexander	H.E. Mr. M. Pešić - Deputy Foreign Secretary
Mr. T.J. Clark	Mr. M. Melovski - Federal Secretariat for Foreign Affairs
	Mr. V. Jovanović - Federal Secretariat for Foreign Affairs

President Mijatović extended a warm welcome to the Prime Minister as the first British Prime Minister to visit Yugoslavia. Yugoslavia valued her relations with Britain which had been forged in the difficult days of the war. A good foundation had been laid then for our continuing and developing relationship. He expressed Yugoslavia's particular appreciation of the sincere gesture of friendship and respect which the Prime Minister had made in leading such a high level delegation to the funeral of President Tito. He believed that the continuation of our relationship on the basis of mutual respect was in the mutual interest of both countries and in the wider interests of Europe and the world. He agreed with the Prime Minister's remarks in an interview before coming to Yugoslavia about the need to develop the relationship between the present generations in both countries. It was characteristic of our relationship that we were able to discuss frankly those matters on which we disagreed as well as those on which we agreed. The Prime Minister was visiting Tito's Yugoslavia after Tito. Yugoslavia appreciated Britain's confidence in Yugoslavia and the value which Britain placed in its independence. Yugoslavia's position in the world was never the reflection of any one personality or group; it was always a reflection of the Yugoslav people as a whole. He wished to stress therefore that the present position in Yugoslavia was permanent, not provisional.

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Yugoslavia remained on its previous course. The Yugoslav people were proud of their independence and freedom and were ready to defend them at any cost. He asked whether the Prime Minister had any special topics she wished to raise.

Thanking President Mijatović for his welcome, the Prime Minister expressed her appreciation of the excellent arrangements and hospitality which had been extended to her and the friendly atmosphere in which her talks had been conducted. The Anglo/Yugoslav relationship was not based merely on mutual convenience, but on a deeper shared experience. Britain had great admiration and respect both for Yugoslavia's past achievements and her future aims. Yugoslavia had been firmly established and would continue as such. The long period under President Tito's guidance provided a cement of loyalty and affection which guaranteed Yugoslavia's unity. The Prime Minister suggested that it might be appropriate to continue with the economic subjects touched on at breakfast.

International Economic Relations

Mr. Djuranović said that the Prime Minister had already heard how Yugoslavia looked on international economic problems and the new international economic order; these were subjects which had to be taken into account in reaching any assessment of the international political situation. He invited the Prime Minister to give her views on the reasons why it had proved so difficult to make any progress on global talks and why the tempo was not more dynamic. Yugoslavia had not been satisfied with the outcome of the UN Special Session. What was Britain's view? President Mijatović interjected that when President Carter had been in Belgrade they had had a similar discussion. They had been pleased with President Carter's frankness. They had told him of their surprise that the developed countries did not show more flexibility towards the LDCs. He had stressed that it was necessary to find a way out of the present impasse, otherwise the LDCs difficult situation would rebound on the industrialised world. Yugoslavia had spoken in similar terms to the USSR. It was no good the Russians going on repeating the same old

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phrases about not being responsible for the situation left by the colonial powers etc. This was not the right approach and the Yugoslavs told them so frankly. President Carter had shown much greater flexibility than the Russians. President Carter had neither agreed nor disagreed with Yugoslavia's views but had promised to consider them with attention.

The Prime Minister said that before the oil crisis aid had been a matter between the West and the less developed world. We needed more trade between the two and they needed more aid, both revenue - to help in times of difficulty - and capital - to develop their own resources. As regards trade, we had tried to keep our trading system open to the developing countries and to buy their products, including such things as textiles, even when they damaged our own economy. A new problem was the emergence of such countries as Korea and Taiwan which produced steel and other products with the latest equipment and a low-paid labour force. Imports of these products caused great problems for the industrial world, but we had nevertheless kept our markets open. As regards aid, we had extended it both bilaterally and through such international agencies as the World Bank, UN agencies and the IMF. We preferred bilateral aid as it allowed more contact between donor and recipient. For example, we had agreed to give £75 million to Zimbabwe and £100 million over five years to Sri Lanka to build a dam. But aid was being given less and less bilaterally and more and more through the World Bank or in the framework of the Lomé Convention. We got little credit from the LDCs for giving aid in this way. For example, we had given £42 million to Bangladesh, but the Prime Minister had said recently that this was not enough. He was unaware that we had also contributed £20 million through the World Bank. Thus it was a matter not only about the amount of aid but the means for giving it. The Prime Minister accepted the criticism that the industrialised countries had not yet reached 0.7% of GNP for aid, but many countries were in fact well above this target if aid from private sources was included.

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This, broadly, had been the position before the oil crisis. But in recent years there had been a ten-fold increase in oil prices: five-fold in 1973/74 and five-fold since then. The situation would in any case have been bad for the LDCs, who now had to pay far more for imports of oil, but it was made worse because the industrialised countries had fewer resources for aid. The newly-rich countries had a role to play in the present recession in recycling oil revenues. The world should no longer be seen as consisting of developed and less-developed countries, i.e., there should not be merely a North/South dialogue but a dialogue between the industrialised world, the oil rich and the less developed countries. For example, in the Group of 77 there were countries which were richer than many in the Group of 25. The real problem now was how to channel the resources arising from oil through to those countries which could no longer afford to borrow. A new solution was necessary, and that was what the global negotiations were about. We needed not a dialogue but, so to say, a trilogue. We needed a system to recirculate oil money back into the economy and not only through the World Bank and IMF since many countries which needed it could not borrow from them. The global negotiations had faltered on one point, i.e., the establishment of control over the World Bank and the IMF. This would have been totally wrong. The World Bank and the IMF each had its own governing body which was responsible to its contributors. They could not be over-ridden by debate in the United Nations, or by instructions from the United Nations. The conflict between Iraq and Iran would have a further effect on the economic situation because oil prices were influenced not only by economic factors but also by political events. The Prime Minister confirmed that Britain was anxious to play its full part in the solution of these problems.

President Mijatovic thanked the Prime Minister for this exposition and observed that any moves which could be undertaken, no matter how small, could have a big political effect in the economic field and elsewhere and could help improve the general

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climate. For example, the British solution of the problem in Zimbabwe and the British cooperation over the steel mill at Smederevo were both in their own way moves which helped to improve the general climate.

As the Yugoslav Prime Minister was shortly to leave for Delhi, the Prime Minister took the opportunity to invite him to visit London at a time convenient to him. Mr. Djuranovic thanked the Prime Minister warmly.

The conversation ended at 1230.

And

29 September, 1980.

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