

at Moscow

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RECORD OF A CONVERSATION AT BREAKFAST BETWEEN THE PRIME MINISTER
AND LEADING YUGOSLAV PERSONALITIES IN BELGRADE ON THURSDAY
25 SEPTEMBER 1980 AT 0800

PRESENT

Prime Minister

H.E. Mr. E. Bolland

Mr. E. A. J. Fergusson

Mr. M. O'D. B. Alexander

Mr. T. J. Clark

H.E. Mr. V. Djuranović

General N. Ljubičić - Defence
Minister

H.E. Mr. D. Čulafić - Member of
the LCY Presidium

H.E. Mrs. S. Tomašević-Arnesen -
President of the Federal
Chamber of the Federal Assembly

H.E. Mr. S. Andov - Member of
the Federal Executive Council

H.E. Mr. M. Pešić - Deputy Foreign
Secretary

H.E. Mr. Z. Berisavljević -
Ambassador to London

Iraq/Iran

The Prime Minister opened the discussion by asking what the latest news was from Iraq/Iran. Mr. Djuranović said that he had heard only that there had been further bombing by both the Iranians and Iraqis and that oil installations had been the main target. General Ljubičić added that what had been an undeclared war was rapidly turning into a real war. The Prime Minister said she understood that oil supplies were still being moved. Mr. Bolland interjected that according to the BBC they had now stopped. Mr. Pešić added that the Shatt al Arab was now closed. Mr. Bolland observed that the BBC had mentioned the Prime Minister's and Mr. Djuranović's references to the situation in their after dinner speeches. Mr. Djuranović said that his Foreign Minister, Mr. Vrhovec, had also referred to them at the United Nations.

Poland

The Prime Minister asked what the latest situation was in Poland. Mr. Pešić said that more Trade Unions were seeking registration. Mr. Djuranović said that the situation remained grave. There were reports of new strikes. A Plenum of the Central Committee of the PUWP was to be held shortly.

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/General Ljubičić

General Ljubicić said that every political mechanism was sensitive. They could be easily damaged and were difficult to restore. Time would be needed to effect repairs. Mr. Djuranović observed that the Polish Government had granted major concessions. The question was now whether they could fulfil them. They had promised new laws on Trade Unions, self-management, etc. The need for reform had been shown clearly but there were different currents of opinion in the Party leadership. One current was trying to see that the agreement with the workers was frustrated while the other current was trying to fulfil it. There was a commission of enquiry within the Party which was looking into the behaviour of some of its members who, it seemed, might be guilty of corruption and other irregularities. He understood there would be a plenary session of the Party Congress soon to discuss this. It seemed even the new Prime Minister was not wholly above suspicion.

The Prime Minister asked after Gierek and whether his illness was due to a heart condition or sheer exhaustion. She understood that Gierek had himself proposed who should succeed him and that Kania was only the second choice. (Mr. Djuranović indicated that he was dubious about this). How did the Yugoslavs see this fundamental change in Poland? Mr. Culafić said that the fact that 1.2 million people wanted to strike spoke for itself. Deep changes were involved. At first economic problems and food prices had been the cause but as the strike developed, political aspects had become increasingly important. Now workers were seeking greater democracy. They were demanding major changes in the administration of the country. The situation was different from that in Czechoslovakia in 1968. Then, the Party and the intelligents had sought change; in Poland it was the working class who were seeking change. The changes in Poland could have far wider repercussions both in Eastern Europe and in the rest of the world.

The Prime Minister asked how it was that the government lost contact with the people. Mr. Djuranović answered that in 1971, Gierek had promised a programme of reform but this had been whittled away. Moreover Poland was rather a special case. The composition of Polish society was different from that in other East European countries. Irrespective of the fact that Poland was a member of the Warsaw Pact, the Polish people were not satisfied with

/Poland's

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Poland's international position. This did not mean that they wished to leave the Warsaw Pact but that they sought a more independent position within it. Furthermore, the internal political situation was influenced by the Church, by the existence of a large private agriculture sector and of bourgeois elements. All this, the failure of the promised reforms, the low standard of living and the gulf between the ordinary citizens and the privileged Party apparatus, had had its effect. Moreover, the Polish Government's economic plans had contained insufficient consumer oriented expenditure.

The Prime Minister interjected that there was a similar situation in the Soviet Union, except for the Catholic church. Mr. Djuranović disagreed. The Prime Minister went on that in the Soviet Union there was a low standard of living partly because they spent so much of their GNP, 13 per cent, on arms. There too, there was a gulf between the politicians and the people, for whom there were days without meat. The Soviet Union should be a rich country with all its enormous resources. Where was the difference with Poland? Mr. Djuranović answered that the Soviet Union considered that it had to be on a level with the West and had to invest in armaments. The Prime Minister said we and other Western countries spent only 5 per cent or less on defence, though she agreed that taking all the NATO countries together, their combined defence expenditure probably equalled that of the Soviet Union. In the West's case, however, there were enough of their resources left over to make possible a good standard of living for the people. Why was it that Poland was unstable and the USSR not? Mr. Djuranović said that it was necessary to view Poland in its historical context. Democratic traditions were far more highly developed than in the Soviet Union. Poland had gone through four major crises which were motivated not so much by economic needs as by demands for democratisation. The Prime Minister said that once the people had experienced democracy it was difficult for them to accept any other political system. The USSR had never known democracy. Mr. Djuranović said that the situation in the Soviet Union today was far better than it ever was in Stalin's time.

/Mr. Pešić

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Mr. Pešić said he was a practical diplomat who was less concerned with theory than with the facts. Irrespective of the situation in Poland, the situation in the Eastern bloc was based on preserving the status quo in contradiction to logic and life. Attempts to freeze life were doomed to failure. This contradiction was also to be found in the West where, for example, the Italian Communist Party was excluded from Government. In Eastern Europe the system had reached a crisis and there were demands now for deep social changes. The crucial question in Poland was would it try to develop direct democracy within the framework of the present one party system or to move back to a multi-party system. The new Trade Unions could be the germ of a multi-party system. This development, if encouraged, could have far reaching and dangerous consequences. The Prime Minister agreed, especially if it developed quickly. The question was not whether there would be a single or ^a multi-party system now but that Poland had two centres of power, one of them separate from the Government. The natural tendency would be for the Government to try to absorb the new centre of power. Previously the Church was a centre of influence but not of power.

The Prime Minister asked if the Yugoslavs were in the Kremlin what they would think of the situation. She would be more worried if she were there than in her present position. Mr. Pešić said that if he were a Pole his ambition would be to sit in the Kremlin. After all the Poles already had representatives in the Vatican and the White House! He agreed that if the new Trade Unions developed as a corrective mechanism this would be good for Poland. Such a mechanism would express the desires of the grass roots. If however, it became a new political centre the situation would be fraught with danger. The Soviet Union was certainly worried but the West must also be worried too. The Prime Minister asked whether he meant that if Poland became unstable the Soviet Union might move in. Mr. Djuranović said that this was the central question. The Poles should not push things to the extremes which might provoke Soviet intervention. He went on that it remained to be seen how ^{the} agreement with the Trade Unions could be fulfilled within the framework of the Warsaw Pact. If the settlement in Poland went against the Warsaw Pact then Soviet intervention should be expected. On the other hand if the workers' demands were not fulfilled, the crisis could worsen.

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Mrs. Tomašević-Arnesen added that there were two important points to note: first the pace of events and secondly the consequences for the Soviet Union. The latter would now have to give thought itself to some small steps towards democracy. Moreover, it would have to take into account the repercussions elsewhere in Eastern Europe. The Soviet Party Congress in February would have to deal with these aspects and consider some small measures for its own country. The Prime Minister observed that the question was not only the pace of events but also their direction. If the Polish Party granted all the workers' demands they would have to accept that a new source of power existed. This was fundamental. It seemed unlikely that the workers could be subdued. The Polish people had sought similar reforms from Gierek and had been frustrated. Now they were more suspicious. It would be difficult to frustrate them a second time. Mr. Djuranović said that Gierek had promised radical reforms which were unrealistic. The process of democratisation needed longer. For example, Hungary had pursued a policy of gradual democratic change in the economy. Moreover there was less conflict there with the intelligentsia. When he had been in Hungary recently he had talked with Kadar who said that Hungary today stood half way between the thoroughly centralised economic system of the GDR and the liberal economic system in Yugoslavia. Mrs. Thatcher observed that the Polish economy was in a dreadful state and questioned whether it could meet the concessions which had been granted. Mr. Djuranović noted that Poland's agriculture had had five poor years and that it now had to import 5-10 million tons of wheat.

Soviet Union

Turning to the Soviet Union, the Prime Minister said that she was worried about the next generation of Soviet leaders. The military strength of the Soviet Union was greater than ever before. She was afraid that the next generation might be more tempted to use it. Did the Yugoslavs think that the military command was likely to be more influential in Soviet politics? General Ljubičić thought that it was no more of a danger than

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that our own Generals would be in British politics. Mrs. Thatcher interjected that she kept her Generals under control! General Ljubičić rejoined that the Russians did too! The Prime Minister agreed that this was probably true now since the generation from the war period were still in charge. The difference was that the present generation knew at first hand the dreadful consequences of war and therefore exercised restraint based on experience. The next generation might be less inhibited. The Soviet war machine was frightening. The Soviets possessed highly effective weapons such as the SS20, submarines, aircraft and tanks with titanium armour plating. The rising generation might be tempted to use it if things went bad at home. Mr. Djuranović commented that the West was afraid of the East and vice versa. Yugoslavia was afraid of developments between the two. Mrs. Thatcher said that our forces were for defence whereas the entire Soviet military strategy and tactics were offensive. General Ljubičić said that the Soviets had the same view of the West. They thought that they were surrounded by Western military bases. The Prime Minister said that the West threatened no-one. General Ljubičić said that the Soviets made the same claim for themselves. The Prime Minister said that it was the Soviet Union who had gone into Afghanistan and the Cubans into Ethiopia and Angola, not the West. She had no-one to send anywhere!

Mr. Djuranović commented that in viewing Soviet policy it was necessary to take into account Sino/Soviet relations. The rapprochement between the USA and China and between China and Japan was seen by the Soviet Union as a threat. It was difficult to say who the new cadres who would come after Brezhnev would be or what they would think. With Brezhnev the Yugoslav believed that it was possible to reach a degree of agreement, more so than with Suslov and others. Yugoslavia's relations with the Soviet Union had been established on a basis of equality. However, the same Soviet leadership had conducted the intervention into Afghanistan. It was all a question of Soviet national interests. He expected both the present and future Soviet leadership would be guided by the same considerations. The

/Prime Minister

Prime Minister asked why the Soviet Union feared China which was a poor country by comparison. Mrs. Tomašević-Arnesen answered briefly - one billion people! The Prime Minister opined that China could not present a danger immediately or for years. Mr. Čulafić observed that one billion people marching with chopsticks! General Ljubičić agreed that China could not be compared with the Soviet Union militarily but their relations should not be viewed in isolation from China's relations with the USA. Events in Afghanistan had shown how there was a whole knot of international inter-dependent relationships. The Prime Minister said she could not believe that the Soviet Union thought that the West would attack. Britain, for instance, had spent much of its recent history giving up territory. But, while we were surrendering territory, the Soviet Union was expanding.

International Economic Relations

Mr. Djuranović turned the conversation to the West's economic strategy which he thought was at variance with the West's political interests and the interests of the developing world. The developing countries were being forced to turn to the Soviet Union for help. We also had to bear in mind how slowly the industrialised countries were proceeding towards the goal of 0.7 per cent of GNP for aid. There were also the policies of the multi-national corporations vis-a-vis the LDCs. The West's strategy created political reservations in the LDCs vis-a-vis the West and forced them to cooperate increasingly with the Soviet Union. Many of the LDCs were on the brink of economic catastrophe. Yugoslavia thought the Soviet Union was also to blame since it showed even less understanding than the West in helping the LDCs. In Yugoslavia's contacts with the latter they had noted with great disappointment that the recent UN Special Session had failed to launch global talks. He only mentioned this subject now to put it in its political context. The Prime Minister agreed that they would discuss the subject further over lunch.

/Military Cooperation

Military Cooperation

General Ljubičić then asked to say a few words as he would not have the opportunity of meeting the Prime Minister again. He wished to draw attention to the state of military cooperation between the two countries. Yugoslavia had a higher level of military cooperation with Britain than with any other Western country. This cooperation had developed out of the war time and had been steadily on the increase. For example, Yugoslavia's purchases from Britain, such as aircraft engines, radars, communications equipment, ships, turbines, etc., were greater in one year than from the United States over five years. But he was unhappy about the increasingly high prices, although prices were going up everywhere, and about quality and delays in delivery. Yugoslavia had the feeling that some British firms were taking advantage of their monopoly and, in effect, black-mailing Yugoslavia. He had to admit that there was a problem with Rolls Royce that could spoil military/economic relations between the two countries. Serious talks had been held with Rolls Royce but they had not reached agreement. If the two sides did not come to terms, the future supply of Rolls Royce engines could be called in question. Cooperation with Marconi was proceeding quite well, but there had been a problem with Plessey. The Yugoslavs had agreed with Plessey on the installation of Plessey equipment at air fields which the Yugoslavs were to build in Iraq. However, Plessey had wanted to go it alone and as a result lost the contract to the French. This was not fair of Plessey after they had entered into an agreement with the Yugoslavs. It remained, however, Yugoslavia's interest to continue to develop military economic relations with Britain. Finally, he added that there was also the question of counter purchases. Yugoslavia was not asking for assistance from the Prime Minister at the present but might need to do so if things went wrong. The Prime Minister said that she had taken note and would cause enquiries to be made. She added that the Chief of the Defence Staff would be visiting Yugoslavia on 6 October and this would be an opportunity for further discussion.

The discussion ended at 0920 hours.

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