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RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE PRIME MINISTER OF ROMANIA, MR. ILIE VERDET, AT 10 DOWNING STREET ON MONDAY, 13 APRIL 1981 AT 1645 HOURS

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Present

Prime Minister	Mr. Ilie Verdet, Prime Minister
Secretary of State for Foreign and Commonwealth Affairs	Mr. A. Duma
Mr. P. A. R. Blaker, Minister of State, FCO	Mr. A. Margaritescu
Mr. J. L. Bullard	Mr. G. Boldur
Mr. P. C. H. Holmer	Mr. V. Gliga
Mr. M. O'D. B. Alexander	Mr. C. Pirvutoiu
Mr. J. H. Pownall	Mr. A. Gheorghiu
Mr. B. J. P. Fall	Mr. Bujor
Mr. C. A. Galia )	
Mr. D. Galbinksi )	interpreters

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[The Prime Minister and Mr. Verdet had a half-hour conversation tete-a-tete, during which Lord Carrington took the Chair in the Plenary Session.]

Poland

Lord Carrington asked Mr. Duma for his views on the situation in Poland. Mr. Duma said that the Romanian position was well known: the Poles should be allowed to solve their own problems without intervention from either side. No encouragement should be given to those in the West who were trying to hot things up and complicate matters. Everything should be done so that the Poles could solve their own problems. It was at present the Romanian opinion that the Soviet Union did not wish to intervene.

Lord Carrington asked whether a solution could be found, given the Gdansk Agreements and the attitude of the Party. Mr. Duma said he thought it could. But the Gdansk Agreement was very complex and

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CONFIDENTIAL

CONFIDENTIAL

- 2 -

there were many tendencies in Solidarity, some of which wanted to go beyond union affairs. Polish economic problems were very pressing. There were no instant solutions to complex problems, but a way had to be found to activate the economy. Reforms might be needed. At present the Government spent all its time putting out small fires and had no time to tackle problems in depth. There was a need for a new strategy and tactics, adapted to the realities of the problem. Lord Carrington agreed about the economic problem and said that we had given food aid and were discussing debt relief with other Western creditors. Politically, the problem was that one faction of Solidarity wanted to go further and change the whole system, while one faction of the Government wanted to claw back what had been agreed at Gdansk. If either faction gained control, there would be trouble. Third parties should keep clear and do only what they could to contribute to stability and calm. Mr. Duma said that the solution would have to be found within the existing system. Lord Carrington asked whether this was the general view of the Warsaw Pact countries. Mr. Duma said that as far as he knew it was. It was necessary to find a solution within the current system and from within Poland.

Mr. Bullard asked whether the immediate neighbours of Poland might feel more threatened by what was happening in Poland than did the Soviet Union. The GDR and the Czechoslovak Press had been very strict and severe about Poland. Were there differences between their attitude and that of Romania? Mr. Duma emphasised that they were immediate neighbours. It was one thing if a neighbour's house was burning down and another thing if one lived a bit further down the road and could wait for the fire engine.

Mr. Bullard wondered whether there could be an economic system liberal enough to persuade the Poles to work and conservative enough to be acceptable to the Soviet Union. Mr. Duma replied that the economic problem was a matter for the Poles. They had been consuming more than they produced and no system, socialist or capitalist, could allow that. Mr. Bullard mentioned that the Western creditors' discussions on debt relief had almost reached agreement and asked whether the CMEA countries were taking similar action. Mr. Duma claimed that the problem did not really arise as trade within the CMEA was on the basis of exchanges of goods rather than the granting

CONFIDENTIAL

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CONFIDENTIAL

- 3 -

of credits. He indicated his assent when Mr. Bullard asked whether this meant that Romania was not lending money to Poland. Mr. Bullard mentioned that the Poles found it difficult to pay for food even at special prices and with a large proportion of credit, and suggested that it might be easier if Poland were a member of the IMF. Mr. Duma said that Romania had experience of the IMF: there was no way of getting credit without being charged high rates of interest and it was better to borrow as little as possible. Lord Carrington said that it was hard to see how Poland would be able to get out of its economic difficulties without credit.

Mr. Blaker said that it was hard to see a solution. The demands put forward by some elements of Solidarity went very far, but it would cause trouble if they were surrendered. The only hope was for moderate elements on both sides to work together. Lord Carrington said that the economic problems made the political problems more difficult and vice versa. Mr. Duma said that the same was true of the social problems. It was necessary to re-establish calm and increase production and productivity. The Romanians knew very well that if they wanted to reduce working hours they would have to increase their productivity.

#### Romanian Economy

Lord Carrington asked about the position of the Romanian economy. Mr. Duma said that the situation was reasonably good. The results of the last Five-Year Plan had been good and the next was in preparation. It would also be dynamic, but industrial output was expected to grow at 8-9 per cent rather than at 10-11 per cent as provided in the 1979-80 plan. The priorities on investment would be to complete projects already started, to back projects which did not use too much energy, to ensure the raw materials base for the economy and to place increasing emphasis on agriculture - where large possibilities of development remained to be exploited. Romania would continue to have export surpluses in certain fields, including steel. Lord Carrington asked about energy conservation. Mr. Duma recalled the importance attached to this subject by President Ceausescu and mentioned measures to take out of circulation cars with high petrol consumption, to make more use of diesel fuel, to

CONFIDENTIAL

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make better use of freight transport and to seek savings in industry where there was a need for new technology and methods of production. / The Prime Minister and Mr. Verdet joined the talks at 5.15 p.m. \_7

Poland/Afghanistan

The Prime Minister said that she and Mr. Verdet had discussed Poland and had fully agreed that Poland must be allowed to solve her own problems in her own way. They had also discussed Afghanistan, but here there had been a little disagreement. Mr. Verdet had said that there should be talks between Afghanistan, Pakistan and Iran, but she had said that there was no point in talking to a puppet government. The Prime Minister asked whether Mr. Verdet would want to speak of his recent visit to China, which was very friendly with Pakistan while the Soviet Union was friendly with India. The Russians, and also the Chinese, saw themselves as surrounded by people whose politics were different. We did not see ourselves in this way and it was hard for us to appreciate this psychology, which appeared nevertheless to be important. Oil, which was tied up with the Middle East, was another subject which Mr. Verdet might wish to discuss.

Bilateral Relations

Mr. Verdet indicated that he would like to talk about bilateral relations. He expressed satisfaction at what had been achieved, more particularly since the visit of President Ceausescu in 1978, and said that Romania was ready to encourage their future development not only as between governments but also between political and mass organisations. Romania also wanted to encourage further co-operation in the diplomatic field. This had been very successful in the past. Trade had increased threefold over the last 10 years, which was a good result. But there was room for further improvement. The Romanian and British economies were complementary. Romania was a developing country. But he had to emphasise the problem that Romania's deficit in bilateral trade amounted to £34 million in 1980, the highest deficit in recent years. Moreover, Romania's imports of industrial equipment from the United Kingdom accounted for 70 per cent while her exports of similar goods for only 5 per cent of trade.

# CONFIDENTIAL

- 5 -

Joint efforts were needed to normalise this situation. We each knew the other's system and the problem did not lie there: the two systems could co-exist and the two governments should do more to encourage trade. There were two ways to solve the problem: either to reduce trade or to balance it and increase it. The Romanians favoured the latter approach and had the potential to succeed if British firms took the same approach and if the British Government would help.

Mr. Verdet went on to mention a number of points of particular interest to Romania, including co-production and joint ventures; and counter trade, which was necessary if Romania was to earn what it needed to continue to buy. He also asked for a further liberalisation of quantitative restrictions, especially in the fields of radio, textiles and fruit and vegetables; and for British support for an extension of the offer to Romania under the Community's GSP. The Romanian interest was political as well as economic: Romania, 21 per cent of whose trade was already with EC countries, wanted further to diversify her economic links. He noted that the British Presidency would come soon, and hoped that HMG would use their influence on behalf of Romania.

The Prime Minister asked whether the main interest was in agricultural and horticultural products or in the field of manufactures. Mr. Verdet said that the latter was the more important. Mr. Pownall explained that the trade imbalance had been discussed in detail with Mr. Margaritescu at the meeting of the Joint Commission last month. The pattern of trade had changed recently and Britain had started exporting coke, coal, and cereals. This accounted for the increase in the imbalance in 1980. The Prime Minister asked whether the problem on manufactures was one of tariffs or one of quotas. Mr. Verdet said that it was one of quotas, and asked that the political considerations be taken fully into account. Mr. Pownall pointed out that the problem was concentrated on items such as textiles, televisions, and footwear, which were difficult areas for domestic industry.

/ Mr. Verdet

# CONFIDENTIAL

# CONFIDENTIAL

- 6 -

Mr. Verdet quoted as a good example of industrial co-operation Romania's experience with BAC and with Rolls Royce. What they needed for the future was:

- (i) help from the British Government on sales of technology for the production of metal parts for aircraft and aircraft engines;
- (ii) support from the Government for the Romanian position on the sales of those aircraft in third countries; and
- (iii) a greater effort to implement the provisions of counter trade in Anglo/Romanian joint documents.

Mr. Pownall explained that the last two were essentially commercial problems; but that the Department of Trade were in touch with the firm.

Mr. Verdet said that he hoped matters could be speeded up and that the Government would intervene if there was difficulty. He also pointed to the prospects of co-operation in oil and coal, where British industry had technology to offer, and emphasised the importance to Romania of co-operation in third countries, in which context he cited the examples of a refinery in Jordan, a recent contract in Pakistan with Lummus and discussions over a steel plant in Madagascar. The Prime Minister pointed out that the chairmen of a number of companies particularly active in co-operation with Romania would be at her dinner for Mr. Verdet that evening.

Mr. Verdet said that cultural relations were developing normally and that the Romanians looked forward to the negotiation of the new two year programme in May. They would support these negotiations and implement the agreed programme. The Prime Minister remarked that she had launched British/Romanian exchanges in the field of education when she had visited Romania as Secretary of State for Education: an annual seminar had been set up which had met first in Bucharest and then in Cambridge.

/CSCE

# CONFIDENTIAL

CONFIDENTIAL

- 7 -

CSCE

The Prime Minister said that she had received and answered a letter from President Ceausescu. The meeting had now adjourned until 5 May. It would be easier to have a successful conference if the Soviet Union withdrew from Afghanistan. While the occupation of an independent and neutral country continued our bilateral relations could not be restored to normality as we would wish. If the Soviet Union withdrew from Afghanistan, and assuming that Poland remained sovereign and independent, there could once again be more discussion of detente. We were in any case always ready to discuss reductions in the large burden of armaments. We would like to spend less provided we could be certain that any agreement was monitored and the arrangements properly verifiable. We supported the French CDE proposal at Madrid. The whole of Western Europe was covered by CBMs and the equivalent area in the East went up to the Urals. But President Brezhnev had said that if CBMs extended to the Urals we should go further on the Western side: it was difficult to see what was meant as the Western side was already fully covered. Lord Carrington's proposals on Afghanistan had been intended to take into account the security interests of neighbouring countries, and unless there was some movement it would not augur well for future progress at Madrid. Lord Carrington agreed that progress on Afghanistan would transform the atmosphere at Madrid, but useful progress might still be made if only on a smaller scale. We had made proposals on human rights and information which we hoped the Soviet Union would accept. On CBMs, if we could overcome the problem of geographical area there would be a real incentive to negotiate genuine and verifiable CBMs. We would be ready to go along with such a result, but the whole atmosphere would be very different if there was some move on Afghanistan.

Mr. Verdet said that it was important that the conference was taking place at all. The results were harder to predict. The spirit of President Ceausescu's message was that the break should be used to intensify contacts in the hope of reaching positive results. It was important to ensure the continuation of the Final Act and of the Helsinki spirit, to increase confidence, to have a conference on CBMs and disarmament, and to continue the dialogue. Each state

CONFIDENTIAL

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CONFIDENTIAL

- 8 -

must implement the Final Act as a whole and not merely emphasise particular parts of it such as human rights. It was important to have dialogue, not confrontation. It was in this spirit that Romania approached the Madrid Conference and also the problem of new missiles. Romania was by no means against a balance in such weapons, but it had to be reached by reducing a total which was already too large. When Romania spoke about the need for reductions in the deployment of new missiles, they did not mean only Western missiles: the total of Soviet arms was too great. The Romanian ideas had been put forward as of benefit to all the people of Europe. The Prime Minister hoped there would be some progress when the Madrid meeting resumed, if only on some of the smaller points.

#### Conclusion

In conclusion, Mr. Verdet extended to the Prime Minister an invitation from President Ceausescu and himself to pay an official visit to Romania. The Prime Minister thanked Mr. Verdet. It would not be possible for her to come this year, but she would like to visit Romania again and looked forward to doing so.

The meeting ended at 1805 hours.

MP

15 April 1981

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