

Yugoslavia

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FM MOSCOW 151052Z NOV 82
TO IMMEDIATE FCO
TELEGRAM NUMBER 727 OF 15 NOV
INFO IMMEDIATE WASHINGTON, PARIS, BONN, BELGRADE.

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MR. COLES, 10. DOWNING STREET.

FOLLOWING FROM PRIVATE SECRETARY

SECRETARY OF STATE'S MEETING WITH MR. SHULTZ, 14 NOVEMBER:

YUGOSLAVIA

1. THE SECRETARY OF STATE SAID THAT THE SITUATION IN YUGOSLAVIA SEEMED TO HAVE BECOME MORE UNSTABLE POLITICALLY AND MUCH WORSE ECONOMICALLY SINCE HIS VISIT IN JUNE. THE QUESTION HOW DEEPLY THE WEST WAS PREPARED TO PUT ITS HAND INTO ITS POCKET SEEMED CERTAIN TO ARISE IN A MATTER OF WEEKS. WHAT LINE WAS THE UNITED STATES GOING TO TAKE ?
2. SHULTZ SAID THAT IF WE BELIEVED IN DIFFERENTIATION AS BETWEEN EAST EUROPEAN COUNTRIES, YUGOSLAVIA MUST BE A SPECIAL CASE. THE COUNTRY WAS IN DIRE STRAITS BUT NOT SO DIRE AS SOME IN LATIN AMERICA. ONE HAD TO ADMIRE YUGOSLAV PRIDE IN REJECTING RESCHEDULING BECAUSE THEY WANTED TO BE IN A POSITION OF PAYING OFF PRINCIPAL AS WELL AS INTEREST. HE DID NOT KNOW HOW FAR THE UNITED STATES WOULD BE ABLE TO GO IN PROVIDING HELP. HE WAS MUCH INVOLVED IN CURRENT DISCUSSIONS ON THE US BUDGET, AND CUTS ALL ROUND WERE THE ORDER OF THE DAY. BUT IT WOULD BE VERY IMPORTANT TO WORK HARD AT THE YUGOSLAV PROBLEM.
3. IT WAS AGREED TO AVAIT THE FRENCH INVITATION TO A MEETING OF THE FOUR COUNTRIES TO WHOM THE MANAGING DIRECTOR OF THE IMF HAD RECENTLY SENT A MESSAGE.

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