

Yugoslavia

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CONFIDENTIAL

Prime MinisterA.J. C. $\frac{21}{12}$

From the Secretary of State

The Rt Hon Francis Pym MC MP
 Secretary of State for Foreign and Commonwealth Affairs
 Foreign & Commonwealth Office
 Downing Street
 London
 SW1A 2AL

2 December 1982

See Francis

YUGOSLAVIA : ECONOMIC CRISIS

Thank you for sending me a copy of your minute to Geoffrey Howe dated 7 December. I have also seen a copy of his reply to you on the following day.

I am content with the proposal that the UK should be prepared to make a modest contribution to a rescue package on the various conditions outlined in paragraph 5 of Geoffrey Howe's minute within their existing trading operations. ECGD could contribute to this operation by guarantees of new commercial bank lending which would refinance (by half yearly tranches and at commercial rates of interest) some \$60m of existing medium term debt. There would however, be a pre-condition in that some £3m of arrears currently owed to ECGD by Yugoslav banks should be paid off. ECGD would also be able to continue to provide short term finance on the current basis and at current levels which would make available approximately \$50m for 1982.

I understand that these ideas have, in fact, already been discussed by the various Departments concerned and that this position is forming the basis for the further meeting of officials of Yugoslavia's main Western creditors on 17 December. I shall be interested to hear the outcome of those discussions.

I am sending copies of this letter to the Prime Minister; the Chancellor of the Exchequer; the Governor of the Bank of England and Sir Robert Armstrong.

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LORD COCKFIELD

Yugoslavia, Jan '80, Int. Set

21 DEC 1980

