



Yugoslavia

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*From the Secretary of State*

The Rt Hon Francis Pym MC MP  
Secretary of State for Foreign and Commonwealth Affairs  
Foreign and Commonwealth Office  
Downing Street  
London  
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*Francis Pym*

Thank you for sending me a copy of your minute of 14 January to Geoffrey Howe.

It may well be that the offer we tabled in Berne on 6/7 January was interpreted by others in a way which made it look effectively well below that of our major partners. But this is not an interpretation that I accept. Nevertheless I would support your suggestion of providing financial credit, which might be tied in the main to exports of British goods and commodities in 1983. My officials would be happy to participate in discussions on the details of such an arrangement.

I should also like to comment on the point raised in paragraphs 4 (b) and (c) of your minute.

As regards 4 (b), a number of our partners (led by Japan, Canada and Germany) are not apparently continuing to offer medium term cover on normal terms; though the US, Austria and Switzerland have said that they will do so. But as I said at our last discussion on this subject, I would not regard availability of such cover as the answer to Yugoslavia's problems. We should not be encouraging expenditure on new projects when retrenchment seems to be necessary. And such money would not be drawn down in 1983 but at some later date when the projects were progressing. Moreover ECGD exposure is disproportionately large in this area. So while I would be willing to consider individual cases, I would regard this as an area to tread with very considerable caution.

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*From the Secretary of State*

The proposal to increase the present offer for refinancing credits to \$81m would mean that we would be providing cover for the total sum repayable in 1983. But the amount is small and it would be an undesirable precedent for other countries. As you say, it is not highly regarded by others and being so small it would make no real difference to the package. So I suggest we stay at the figure already proposed.

I am copying this letter to the Prime Minister, the Chancellor of the Exchequer, the Governor of the Bank of England and Sir Robert Armstrong.

LORD COCKFIELD

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