

Prime Minister

I have not bothered you with all the papers on this as the Ministers concerned reached agreement without difficulty on the offer to be made at the Creditors' Meeting on 18/19 January.

MH

FCS/83/9

CHANCELLOR OF THE EXCHEQUER

A. J. C. 18/1

Yugoslavia: Economic Crisis

1. Thank you for your letter of 14 January. I am grateful for your understanding of the exceptional circumstances involved.

2. I note that you believe we should not, as an opening bid, increase our offer at the Creditors' Meeting on 18/19 January by \$100 million. I understand your reasons for this and can agree instead to your proposal that we should increase our offer of financial credits by \$60 million, of which \$30 million would be for the Bank of England/BIS take out before being disbursed eventually as a financial credit. This latter proposition is, of course, dependent on agreement being reached between our officials and the Bank of England on an appropriate way of carrying this liability.

3. I agree that the negotiating position is uncertain and am therefore grateful that you do not object to my original proposal being kept in reserve for use as a fall-back if necessary. I have now also seen Arthur Cockfield's letter of 17 January. He had not apparently seen your letter of 14 January when he wrote, and was not therefore aware of your reservations, on public expenditure grounds, about moving to the higher figure tied to British exports. If however, we do move to this position I will of course ensure

/that my



that my officials take advice from the Department of Trade on the best way in which any credits might be tied to exports of British goods and commodities in 1983.

4. I am sending copies of this minute to the Prime Minister, Secretary of State for Trade, the Governor of the Bank of England and Sir Robert Armstrong.

(FRANCIS PYM)

Foreign and Commonwealth Office
18 January 1983

Yugoslavia

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