

Yugoslav hit on 210 15711

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Foreign and Commonwealth Office

London SW1A 2AH

11 November, 1983

A.J.C. ⁶⁴/₁₁

p-a.

Dear Sam,

Visit of Yugoslav Prime Minister

/ I enclose briefing (3 sets) for the visit of Mrs Milka
Planinc, President of the Federal Executive Council (Prime
/ Minister) of Yugoslavia whom the Prime Minister will be
meeting on Wednesday 16 November, and 3 (advance) copies
of HM Ambassador Belgrade's scene-setting telegram.

Yours ever
J.R. Hales

pp. (R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL
OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

<u>BRIEF NO</u>	<u>SUBJECT</u>
Brief No 1	<u>Steering Brief with Annexes on:</u> (a) Yugoslav internal situation (b) Yugoslav foreign policy (c) Yugoslavia - economic situation (d) Country Assessment Paper with updated Statistical Annex (e) Personality notes
Brief No 2	Yugoslavia in the Non-Aligned Movement (NAM) including the Falklands)
Brief No 3	East/West Relations (including Afghanistan, Poland, and East/West economic matters)
Brief No 4	Southern Africa/Namibia
Brief No 5	Indo-China
Brief No 6	Arab/Israel and Lebanon
Brief No 7	Iran/Iraq
Brief No 8	Arms Control and Disarmament (including INF and CSCE/CDE)
Brief No 9	Bilateral Defence Cooperation
Brief No 10	Relations between developing and developed countries
Brief No 11	Balkan Affairs
Brief No 12	EC-Yugoslav Relations
Brief no 13	Bilateral Questions (a) Political relations (b) Commercial relations (c) Financial and economic relations (d) Cultural relations

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF
YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Steering Brief

1. Towards the end of 1982 Yugoslavia's economic problems reached crisis point. A Western assistance package including contributions by 15 governments averted the need for a rescheduling of Yugoslavia's foreign debt. The UK's contribution was particularly effective. The Yugoslav leadership is making genuine efforts to stabilise the economy and implement market-oriented reforms but further help from the IMF and Governments will remain necessary for the next few years. The Yugoslav system of socialist self management and the direct devolution of power to the Republics and Provinces is proving a major obstacle to the implementation of a coherent economic programme. The system of rotating leadership introduced after Tito's death makes it difficult for central Government to take a firm lead. Wide variations in development between the richer north and the poor south have increased nationalist tensions, though the situation in Kosovo (recently the focus of irredentist unrest by the Albanian majority) has improved. Yugoslavia's main foreign policy aims continue to be to distance itself from the Soviet Union, to avoid becoming dependent on either East or West and to play a leading role in the Non-Aligned Movement.

2. Mrs Planinc's visit will provide an opportunity for us to demonstrate continued Western interest and support for a stable, independent and non-aligned Yugoslavia. In protocol terms, the present visit returns that paid to Yugoslavia by the Prime Minister in September 1980, the first official visit by a British Prime Minister to Yugoslavia (the Prime Minister also attended Tito's funeral in May 1980). An invitation to visit the UK was extended by the Prime Minister to the then President of the Federal Executive Council and repeated to Mrs Planinc when she took office in May 1982.

OBJECTIVES

3. Our main objectives are:

- (a) To maintain the impetus to Anglo-Yugoslav relations given by the Prime Minister's visit to Yugoslavia in 1980, by the Yugoslav Foreign Minister's visit in June 1981 and by the Secretary of State's visit in 1982;
- (b) To stress the importance we attach to Yugoslavia's independence and non-alignment;
- (c) To exchange views with Mrs Planinc on international questions where Yugoslavia's position between East and West, and in the Non-Aligned Movement, makes it a useful interlocutor;
- (d) To stress our willingness to continue to be helpful to Yugoslavia in its economic difficulties, but to dispel any Yugoslav expectations that multilateral assistance of a similar quality and scale to the 1983 package can be available in 1984.

Yugoslav objectives are likely to be:

- (a) To maintain the exchange of high level discussions with the UK;
- (b) To demonstrate the standing of Yugoslavia in the eyes of an important Western government;
- (c) To seek our support for their economic objectives, including further Western assistance in 1984 involving some export

credit, help for Yugoslav export drive and more preferential treatment by the European Community;

- (d) To influence us on certain key international issues, particularly East-West and relations with developing countries, which the Yugoslavs consider central to their foreign policy;
- (e) To air their continuing dissatisfaction at the bilateral trading imbalance with the UK.


PROGRAMME

4. An outline of Mrs Planinc's programme is attached to the inside cover of this folder. The programme provides for a full session of talks with the Prime Minister on 16 November. Mrs Planinc will also have talks with the Secretary of State for Foreign and Commonwealth Affairs, the Chancellor of the Exchequer and the Secretary of State for Trade and Industry. The lunch hosted by the Prime Minister on 16 November and the dinner hosted by the Secretary of State on 15 November will provide further opportunities for discussion. Mrs Planinc will travel to Scotland on 18 November where she will be the guest of the Secretary of State for Scotland.

AGENDA

- 5. Talks with the Prime Minister.

Mrs Planinc does not speak English and there will be full interpretation throughout, thus curtailing the time available for substantive discussion. Subject to the Prime Minister's views the formal talks could provide an opportunity for discussion on the following topics:

- 
- (i) Yugoslavia's economic outlook;
 - (ii) The British domestic economic scene.
 - (iii) East-West relations;
 - (iv) Arms control and disarmament;

HM Embassy Belgrade has reported that Mrs Planinc hopes to be able to discuss these topics with the Prime Minister.

Talks with the Secretary of State

6. We have agreed with the Yugoslavs that a suitable agenda for the talks with the Secretary of State might be:

- (a) Brief tour d'horizon following up any points on East-West relations or on arms control and disarmament which have not been fully discussed during the Prime Minister's talks;
- (b) Major international issues of immediate interest (eg. Lebanon, Iran/Iraq);
- (c) Bilateral questions;

Talks with the Chancellor of Exchequer

7. At the talks with the Chancellor of the Exchequer Mrs Planinc is likely to wish to discuss:

- (a) The world financial situation;
- (b) Bilateral economic and financial relations.

Talks with the Secretary of State for Trade and Industry

8. At the talks with the Secretary of State for Trade and Industry Mrs Planinc may wish to discuss:

- (a) East-West economic relations;
- (b) Bilateral trade.

The Yugoslavs will wish to make a great deal of the persistent imbalance in our favour in bilateral trade.

Meeting with Secretary of State for Scotland

9. Mrs Planinc, who comes from Croatia, may express interest in the constitutional position of Scotland within the UK. She may also be interested in making comparisons between regional government here and the highly devolved system of Federal Government in Yugoslavia.

COMMUNIQUE

10. It has been agreed with the Yugoslavs that there should be no communiqué or joint statement. The Press Office at No 10 Downing Street will be responsible for any press briefings.

GIFTS

11. It has been agreed with the Yugoslavs that there will be no exchanges of gifts.

SUMMARY OF BRIEFS

Brief No 1 Steering Brief - with Annexes on Yugoslav political and economic situation, Yugoslav foreign policy and personality notes.

Brief No 2 Yugoslavia in the Non-Aligned Movement. Yugoslavia is a force for moderation in the Non-Aligned Movement, and needs to be reminded that there are many aspects of the NAM which Western Governments find distasteful.

Brief No 3 East/West Relations. UK and Yugoslavia's common interest in stable East/West relations. Present difficulties only reconfirm need for maintaining realistic dialogue, both to create common areas of understanding and to avoid misunderstanding. Yugoslav views on present situation in Soviet Union (including Andropov's future) will be of interest.

Brief No 4 Southern Africa/Namibia. Our response to the constitutional changes in South Africa has been cautious. We are concerned at South Africa's policies towards its neighbours and anxious to moderate these. On Namibia, we are determined to secure implementation of the UN Plan, but patience is necessary.

Brief No 5 Indo-China. No early end to the Cambodian stalemate and the tragedy of refugees. Share Yugoslavia's view on ingredients for a settlement, and opinion at the UN remains firm. But Vietnam still obdurate and no sign of pressure from the Soviet Union to compromise or withdraw.

Brief No 6 Lebanon and Arab/Israel. To discuss progress in the reconciliation talks and reaffirm value of MNF. To deplore violence in Northern Lebanon and express concern at stalemate in Arab/Israel peace process.

Brief No 7 Iran/Iraq War. The military stalemate continues. No independent confirmation that the Iraqis have taken delivery of the 5 French Super-Etendard aircraft equipped with Exocet. Iraqi use of these aircraft against shipping in the Gulf could widen and escalate the conflict, and disrupt oil supplies to the West.

Brief No 8 Arms Control and Disarmament. Yugoslavs will be interested to hear UK views on disarmament, particularly on INF where they have obvious security interests, and also in their capacity as a leader of the disarmament group within the Non-Aligned Movement.

Brief No 9 Bilateral Defence Cooperation. UK wish to see increased cooperation and further defence contracts with Yugoslavia despite problems over offset arrangements.

Brief No 10 Relations between developing and developed countries. Developing countries must take advantage of world economic recovery as it proceeds. UNCTAD VI made some modest but useful progress with the help of the Yugoslav Conference President. We remain active in international efforts to help deal with the developing countries' economic problems.

Brief No 11 Balkan Affairs. Yugoslavia's relations with her neighbours; Albania and UK/Albanian relations; Balkan cooperation; doubts about value of Balkan Nuclear Weapon Free Zone.

Brief No 12 EC/Yugoslavia. Attach political importance to EC/Yugoslav relations; wish to avoid restrictions on mutual trade. Undertake to consider without comment any Yugoslav requests for further preferential treatment.

Brief No 13(a) Political Relations. Value regular high-level exchanges with Yugoslavia. We will not condone terrorism but we cannot act to prevent the lawful activities of emigre groups in the UK. Should not allow the Djilas asylum case to affect political relations.

Brief No 13(b) Commercial Relations. Yugoslav exports to the UK have shown a marked improvement in recent months. New legislation to guarantee payment by the Yugoslav



National Bank of foreign debts is resulting in clearance of some of the debt owed to small and medium-sized UK firms. Good record of UK industrial co-operation on projects in Yugoslavia eg Davy McKee at the Zorka tinplate plant. Anglo-Yugoslav Trade Council expected to meet in Belgrade early next month.

Brief No 13(c) Financial and Economic Relations. To assure Yugoslavia of our continuing support in their economic difficulty and of our readiness to contribute to further multilateral assistance without entering into specific commitment about the availability of new UK credit.

Brief No 13(d) Cultural Relations. Our longstanding cultural links with Yugoslavia work well.

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Yugoslav Internal Political Situation

1. Yugoslavia has been passing through a testing period since the death of President Tito in May 1980. The country has had to implement, in the absence of Tito's unifying influence, a constitutional system which he devised and which balances Republican and Provincial interests against the need for an effective central government. At the same time the country is having to come to terms with a grave economic crisis. As part of his legacy, Tito left a complex arrangement for a collective leadership of the State and Party and for the annual or biennial rotation of all the key posts in fixed order to ensure an equal distribution among Yugoslavia's 6 Republics and 2 autonomous Provinces. This unique system of collective leadership has been accepted as the most appropriate for a multi-national society in which sensitivity to past inter-communal conflict remains acute. It is designed to avoid divisive competition for the top positions and the domination of the country by one Republic or person. Its principal disadvantage is that decision-making is hampered by the lack of an ultimate arbiter in the many contradictions of a system which combines a Federal structure and one party rule with highly devolved economic and political power.

2. The current President of the Federal Presidency of the Socialist Federal Republic of Yugoslavia is Mr Mika Spiljak (Shpeelyak), who took office in May 1983. He represents Croatia as does the President of the Federal Executive Council (Prime Minister) Mrs Milka Planinc.



3. Although Yugoslavia is a one party state the average Yugoslav does not identify himself with those living under the orthodox communist regimes of Eastern Europe. Yugoslavs are free to practice their religion (though the practice of religion is incompatible with Party Membership and can therefore prove a bar to a successful career); they are free to travel abroad (indeed remittances of foreign currency from Yugoslav workers living in Western Europe are a major potential source of foreign exchange for Yugoslavia); there is a lively and reasonably free press and political debate is encouraged within certain limitations. There are nevertheless individuals who suffer for their beliefs. Those who attempt to challenge the constitutional system, to oppose the role of the Party in Yugoslav society or to stir up 'nationalism' are dealt with severely. Some of these dissidents attract attention abroad. It is however, significant that individuals such as Milovan Djilas, a former intimate of Tito who is now a stern critic of the system, manage to live relatively free lives inside the country.

4. The principal internal tensions in Yugoslav society derive from historical rivalries between the various ethnic groups which make up the Federation and from fears by minority groups that centralised government in Belgrade would ultimately lead to the re-establishment of Serbian domination. The situation in Kosovo, (the ethnically largely Albanian Province in Southern Yugoslavia which witnessed a series of violent demonstrations in 1981 and 1982 demanding that the Province should be granted the status of a full Republic within the Federation) appears quieter of late. Tension and discontent nevertheless remain and the calm imposed by a strong security force has been frequently disturbed. The Slav minority in the Province has felt increasingly insecure and there has been significant emigration of Slavs from Kosovo to areas where Serbs and Montenegrins are in a majority.



5. The economic crisis currently facing Yugoslavia has precipitated debate about the role of the various elements of the Yugoslav 'system' in coping with it. The Party (the League of Communists of Yugoslavia) is having difficulty, because of its highly devolved and federalised nature, in giving political and theoretical legitimacy to the various economic reforms which need to be carried out quickly. The Federal Government has similar difficulty in taking a firm lead in introducing and implementing realistic economic policies because of the constitutional requirement to encourage devolved economic self-management and avoid centralism. Nevertheless there is awareness of the problems and the Government and Party have made genuine efforts to solve them.

Eastern European Department
9 November 1983



Brief No 1(b)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Yugoslav Foreign Policy

1. Yugoslavia's foreign policy is preoccupied by the need to maintain independence from both East and West. To this end the Yugoslavs maintain a balance in their relations with the Soviet Union and East European communist states on the one hand and Western nations on the other and vigorously pursue their guiding principle of non-alignment in all aspects of their external relations. Yugoslavia is a founder member of the Non-Aligned Movement.

2. Yugoslavia's relations with the Soviet Union are no more than correct. There have been few high level exchanges in recent years. The Soviet Union no doubt realises that to exert overt political or military pressure on Yugoslavia would reinforce Yugoslav unity and could provoke a major East/West confrontation. Yugoslavia's relations with the rest of the Eastern Bloc and particularly with Romania and Hungary are warmer. The Yugoslavs have been cautious over developments in Poland. Continuing suspicions about supposed Bulgarian territorial pretensions towards Yugoslav Macedonia have hampered the development of normal relations between the two countries except on a limited commercial basis. Relations with Albania are soured by what the Yugoslavs see as Albanian interference in the internal affairs of Yugoslavia by support for the Albanian nationalists in Kosovo.

Eastern European Department

9 November 1983

VVVAAP



Brief No 1(c)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF
YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

YUGOSLAV ECONOMIC SITUATION

1. Yugoslavia's most immediate worry is its economy. High investment and domestic demand during the 1970s coupled with low productivity and uneconomic wage levels created a serious debt burden and balance of payments problem. Current debt to the West is around \$19bn with annual debt service obligations of over \$5bn.
2. Stabilisation measures were delayed by Tito's prolonged final illness but in 1981 a 3 year standby arrangement began with the IMF. In the same year the Kraigher Commission was set up to develop a longer term programme of reform.
3. Adjustment has however continued to be weak and slow. At the level of general planning, the authorities have secured acceptance of the recommendations of the Kraigher Commission which provide for wide-ranging market oriented reform; one such measure - the duty law on foreign currency payments - has so far been implemented. As regards stabilisation, austerity measures are in place. Wages have been held down and real living standards have dropped sharply. But the authorities are still unable to achieve the two basic objectives of reducing domestic price inflation and reaching a viable balance of payments position. Inflation is over 40% and rising. The convertible current account deficit has been reduced from \$3.7bn in 1979 to an expected \$0.5bn this year, yet progress has been insufficient to restore creditworthiness and enable financing requirements to be met by spontaneous credit flows



from the markets. This year Yugoslavia was able to avoid a general rescheduling only as a result of a \$5bn assistance package from Western Government, banks and financial institutions. Further organised support will be required in 1984, and beyond.

4. The major obstacles to achieving more rapid stabilisation and structural reform are political and constitutional. The dispersed nature of authority in Yugoslavia makes it difficult to take decisive action; the traditional power of the Republics and local units, strengthened by the principle of "socialist self-management" makes it particularly difficult to achieve the degree of centralisation necessary to implement key measures to control inflation, service foreign debt and unify the Republican economies into a Federal whole.

5. Nevertheless Mrs Planinc's Government remains committed to its present gradualist course and to achieving it in ways which have the effect of strengthening economic links with the West rather than increasing dependence on the CMEA countries. The IMF have been asked to provide a further standby programme for 1984 and Yugoslav plans are to increase export growth to the West so as to achieve current account surplus and improve debt service capability.

6. Progress in 1984/5 will depend on the following:

- (a) Whether the redirection of exports into the convertible area which is being achieved in 1983 (+15%), and control of imports (-8%) can be sustained. The present growth has been possible largely because of exchange rate devaluations (60% in 1983). Industrial production is now stagnating, and it will be difficult to keep up the required level of export production, even if markets can be found;



- (b) Greater effort and firmer IMF encouragement to introduce a sufficiently tight and effective monetary policy; this has been a crucial weakness so far. Interest rates, despite major increases this year, are still at substantially negative levels; there are no effective controls over the widespread system of inter-enterprise credits; and there are large foreign exchange accounts in existence.
- (c) ability to control other expansionary pressures, partly from wages. The sharp decline in real wages in 1983 (-10%) has been politically difficult to sustain and there are now strong domestic pressures upon the FEC to allow wages to catch up.

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ENU 014/4

Country Assessment Paper

YUGOSLAVIA

August 1983

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COUNTRY ASSESSMENT PAPER: YUGOSLAVIA

SECTION 1: INTRODUCTION

Political

1. Yugoslavia occupies a key strategic position in Europe as a buffer against Soviet expansion towards the Mediterranean. Its independence, non-alignment and maintenance of a careful balance in its relations with East and West are important factors for stability in the overall East/West balance. The Yugoslavs usually play a moderating role in the Non-Aligned Movement (NAM) and have worked hard to prevent the NAM from moving in a pro-Soviet direction.

2. Yugoslavia's Federal system of six Republics and two autonomous Provinces reflects (in part) President Tito's efforts, until his death in 1980, to create a political structure which would prevent disruptive nationalist rivalries among Yugoslavia's many ethnic groups. Much political and economic power has been devolved to the Republican and Provincial Governments, and this, combined with the need for 'consensus' in many decisions of the Federal Assembly, severely limits the power of the central Government. Elaborate provisions for collective leadership and annual or biennial rotation of posts among national and local political officeholders ensure that no one person or ethnic group can dominate but do not make for firm leadership. There are at present no public proposals for substantial constitutional reforms.

3. Yugoslavia is a one-Party state, under the League of Communists of Yugoslavia, but the extent of individual freedoms is fairly broad. Almost all Yugoslavs can travel abroad freely, though non-official journeys are currently subject to a heavy travel deposit to conserve foreign currency. Yugoslavs can practise their religion and take a fairly active role in at least local decision-making through the political system (the "delegate system") and Yugoslavia's unique system of self-management (see below). Since Tito died, Yugoslav society has enjoyed greater "democratization": the media and public debate are freer and a greater role for market forces is foreseen in the economy. But there are definite limits to freedom of expression. For example, public challenges to Yugoslavia's basic constitutional structure, the Party's leading role, or criticism of the policies of non alignment or self-management are considered unacceptable. Attempts to stir up ethnic hostility are also dealt with severely. Severe prison sentences were imposed following widespread Albanian nationalist demonstrations in the Autonomous Province of Kosovo in Spring 1981. Sporadic nationalist incidents still occur there and elsewhere. Nevertheless,

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despite these areas of official wariness Yugoslav society as a whole is receptive to Western influences, not least because millions of Western tourists visit Yugoslavia annually. The 'average Yugoslav' does not want to be (or be seen as) an 'East European'.

Economic

4. Following the high growth rates and heavy foreign borrowing of the 1970s the economy slowed to growth of some 3.5% in 1981 and showed hardly any growth in 1982. Inflation rose to between 40% and 50% in 1981 but was reduced in 1982 to around 30%. It is now rising again. Yugoslavia ended 1982 with a serious shortage of foreign exchange and substantial repayment obligations for her international debt in 1983. Though there had been no formal defaults on repayments, there were an increasing number of delays. Thus the outlook for the first half of 1983 was particularly difficult as Yugoslavia's main hard currency inflow, apart from exports, occurs later in the year with the arrival of workers' remittances and the tourist season. The Yugoslav Government was determined to avoid general rescheduling which could have precipitated a serious internal political crisis. Accordingly fifteen Western Governments met in Berne on 6 January to put together a package of financial assistance and refinancing of maturities arising during 1983. This package, estimated at the time as approximately US \$1.3 billion, was contingent on the successful negotiation of the third phase of the current standby agreement with the IMF, a US \$500 million bridging loan from the Bank for International Settlements and a parallel package of assistance from commercial banks rolling over short/medium term loans falling due in 1983 and providing \$600 million new lending. Creditors have been obliged to acquiesce to a 6 month freeze on repayments of principal on existing loans. HMG's contribution to the package consisted of a governmental loan of £38 million and a commitment to refinance some £40 million of ECGD guaranteed credit due for repayment in 1983. In addition ECGD is maintaining cover for short term business within a ceiling of £20 million at risk at any one time; payment must be by irrevocable letters of credit (ILCs) issued by approved Yugoslav banks.

5. The Yugoslav workforce is organised on a basis of "self-management", under which workers own and manage their enterprises. Guidelines for economic development are laid down in a 5-Year Plan which is arrived at by agreement between the Republics and Autonomous Provinces and co-ordinated by the Federation. Although there is an extensive system of regulatory economic measures, market forces and the private sector play some part in economic life. Some 85% of agricultural land is held by private farmers but their productivity is low. Agricultural development, aimed at improving the efficiency of the

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private sector and encouraging them to cooperate on a basis of self-management, is now a high priority but ideological difficulties have prevented much real progress so far. Mining and the exploitation of energy resources are also priority objectives. There is an unmeasured but obviously extensive 'black' economy.

6. Opportunities for British companies have declined in the traditional industrial sectors because of Yugoslavia's acute shortage of foreign exchange. Over the next few years, most new business will come from the mining, energy, agricultural and food processing sectors. Supplies of spare parts and equipment for existing industrial installations, particularly those which are export-oriented, will continue to provide British companies with opportunities. The days of major new industrial projects are probably over for the foreseeable future, though oil and chemical projects may attract the necessary foreign support if the world market picks up.

7. Per capita GDP in 1980 was \$2,516; real personal income fell - 7.5, - 5 and - 3.3% in the years 1980-82. Personal income and living standards are planned to fall by 7% in 1983 as part of the government's efforts to stabilize the economy and are likely to fall further with the year's high inflation rate.

8. Yugoslavia's foreign trade is designed to match its non-aligned position and thus maintain an approximate balance between East and West, with a significant proportion also going to the developing countries. In practice Yugoslav exporters have found CMEA markets easier and overall trade with the CMEA, and particularly with the Soviet Union which is a major oil supplier to Yugoslavia, has grown steadily. The 1980 Cooperation Agreement between Yugoslavia and the European Community (EC), provided opportunities for increased Yugoslav exports to Community markets. It has not yet produced the expected results, mainly because too many Yugoslav products are uncompetitive on price and quality, while marketing, delivery and sales promotion efforts are inadequate.

9. The Federal authorities well realise the nature of Yugoslavia's economic difficulties and hope to introduce major policy changes over the next few years in favour of greater market forces, with stiffer penalties for bad workmanship and, possibly, the withdrawal of subsidies from inefficient enterprises. A start has begun, but the structural readjustment towards an efficient, export-orientated economy will not be easy; sharp disagreements between the centre and well-entrenched local interests can be expected.

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SECTION II: BRITISH INTERESTS

10. The order of priority of British interests in Yugoslavia has remained largely unchanged since 1979.

(i) Political and Strategic

It is a major UK (and NATO) interest to ensure that Yugoslavia remains independent and non-aligned, thereby denying facilities to Warsaw Pact Armed Forces and providing stability within the Balkan region. As the only Continental European member of the NAM, Yugoslavia can and does introduce a more moderate European dimension into the NAM's deliberations and those of the G77. The Co-operation Agreement with the EC is balanced by Yugoslavia's observer status with the CMEA.

(ii) Trade

British exports to Yugoslavia in 1982 totalled £159 million representing 0.3% of total exports and about 2.9% of convertible Yugoslav imports. These figures represent a decline in the UK share of the market; limited availability of finance for UK exports and traditional UK concentration on large contracts in the Yugoslav market were the principal cause for the deterioration. In the longer term, however, the market will remain valuable for British companies but for the next few years at least UK exporters tackling the Yugoslav market may need to arrange counter trade in some form. The Embassy plays an important role in providing advice on this.

(iii) Yugoslavia attaches importance to the trading relationship with the UK but wishes to see a significant improvement in Yugoslav exports. For political reasons it is important that we should assist by trying to increase the overall volume of trade.

(iv) Mineral Resources

Yugoslavia has large resources of copper, nickel and some chromium, but the first two are largely consumed by domestic industry at present.

(v) Investment

Yugoslav figures show the UK as accounting for about 1.5% of foreign investment in the country. Such investment is only permitted through joint ventures with Yugoslav (majority) partners. There are at present some 14 British/Yugoslav joint ventures.

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Further UK involvement in joint ventures is unlikely to increase significantly until the present legislation is made more attractive and clearer: one of the Embassy's main areas of work on behalf of British firms lies in explaining the intricacies of joint venture legislation to them and in seeking clarification of particular aspects of it from the authorities. In recent years British banks have been active in arranging credits for Yugoslavia to support both UK exports and the Yugoslav balance of payments. UK consultants have had little success.

(vi) Defence Sales

Britain is a principal Western defence supplier to Yugoslavia. Defence sales in 1982 totalled some £22 million (over 100% up on the 1981 figure) despite our security restrictions which limit what can be sold and increasing Yugoslav pressure for 'offset'. An Anglo-Yugoslav Joint Commission for defence equipment co-operation was established in 1977. Yugoslav military personnel have received training, sometimes subsidised, at British defence establishments. There is currently a strong Yugoslav interest in the possible incorporation of Rolls Royce engines in their new combat aircraft project. Although the poor state of the Yugoslav economy is likely to make sales of defence equipment increasingly difficult, opportunities are likely to arise for the sale of equipment to Yugoslavia for onward sale to third countries (as has recently happened with the order for Martello Radar for Libya valued at £87m).

(vii) Resident British community and tourists

Although the resident British community in Yugoslavia is small, about 350,000 British tourists visited Yugoslavia in 1981.

SECTION III: YUGOSLAVIA'S INTERESTS IN THE UK

11. (i) Political

By developing its already good relations with the UK (which have a special flavour because of our military support for Tito in World War II) and other Western countries, Yugoslavia underpins its policies of independence and non-alignment and can more readily rebuff any pressure from the Soviet Union.

(ii) Yugoslavia wishes to increase its trade with the UK (and with the West in general), to reduce the

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current large imbalance and so lessen its dependence on exports to CMEA (49% in 1981). Given HMG's political support, the Yugoslavs also look to us to help them achieve a more favourable relationship with the EC, secure advanced technology and maintain access to Western commercial banks for financial and trading loans.

(iii) Military

Yugoslavia wants the widest possible access to information on UK defence equipment. Purchases of military equipment from the UK lessen its dependence on the Soviet Union for military equipment and spares. They have shown an interest also in receiving lectures from British Service officers; those given recently on mine warfare and offshore tapestry were well received.

SECTION IV: BRITISH OBJECTIVES

12. In order of priority, largely unchanged since 1979.

(i) Political

(a) To develop the already good bilateral relationship, through exchanges of high level visits and cultural, press and academic exchanges, and so strengthen Yugoslavia's independence, stability and territorial integrity.

(b) To try to persuade Yugoslavia, to continue to exert a moderating influence in the NAM, in G77 and in other international fora such as the UN and CSCE.

(ii) Economic

(a) To encourage and support the Yugoslav authorities in their efforts to undertake the economic adjustments necessary to place their economy on a viable footing.

(b) To help Yugoslavia make best use of the EC-Yugoslav Agreement.

(iii) Trade

To maintain and if possible increase British exports to the Yugoslav market recognising that to ensure this it may be necessary to advise and assist the Yugoslavs in their own trading efforts. If possible, to use business opportunities in Yugoslavia to penetrate markets elsewhere.

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SECTION V: MEANS IN SUPPORT OF OBJECTIVES

13(i)(a) British Embassy - Belgrade

DS Sponsored Staff

We maintain a resident Mission with a UK-based staff of 20 and a locally-engaged staff of 31½. Taking into account all factors, including the division of the time of the Head of Mission and his support staff, we estimate that the collective effort of the Mission is divided as follows:

Political	19%
Economic	9%
Commercial	20%
Information	7%
Consular	2%
Immigration/Visa	2%
Administration and Accounts	15%
Support (Communications and Registry/Typing except when specifically allocated to above functions)	26%

These figures exclude 5½ LEV drivers and cleaners who provide common services to all sections of the Embassy.

Other Departments represented are:

MOD - 4 UK-based staff

PSA - 2 locally-engaged staff

British Council - 4 UK-based and 17 locally-engaged

(b) British Consulate-General - Zagreb

DS Sponsored staff

We maintain a resident Consulate-General with a UK-based staff of 4 and a locally-engaged staff of 8. Taking into account all factors including the division of time of the Head of Post and his support staff, we estimate that the collective effort of the Post is divided as follows:-

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Political	12%
Commercial	34%
Economic	9%
Consular	19%
Information	2%
Administration and Accounts	24%

The figures above exclude 2 LEVc part-time cleaners.

Other Departments represented are:-

British Council - 2 UK-based and 6 locally-engaged staff.

(c) Consulate - Split

We maintain a resident Consulate with a locally-engaged staff of 1½ who are the Pro-Consul and Cleaner. We estimate that the collective effort of the Consulate is divided as follows:

Consular	80%
Administration	20%

(ii) Export Promotion

A significant proportion of the work of the two UK-based commercial staff is spent on export promotion; two senior locally engaged officers are also primarily engaged in this. 631 British commercial visitors sought assistance from the commercial sections in Belgrade and Zagreb in 1982.

Despite the downturn in the Yugoslav economy and ECGD's more restrictive credit support policy, British companies continue to show active interest in business opportunities often in connection with projects funded e.g. by the IBRD and EIB. They accordingly look to the Embassy for support and advice (as noted above) over joint venture arrangements and opportunities for counterpurchase.

(iii) BBC External Services

The BBC is the most respected foreign broadcasting service. The External Services broadcast in Serbo-Croat, Slovenian and Macedonian, on shortwave only, for a total of 17 3/4 hours per week. The World Service in English is also followed by senior officials and politicians who are known to value its reporting, particularly during international crises.

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(iv) Access to Decision Makers

Access to senior politicians and Party officials is reasonably good both in Belgrade and in the capitals of the Republics. High level visits to and from the UK are an important help in this. Access below the most senior level can be regularly maintained.

(v) Visits

HRH The Duke of Edinburgh, the Prime Minister and other senior British political figures attended Tito's funeral in 1980. The Prime Minister visited Yugoslavia later the same year. The Minister of State for Trade, Mr Parkinson, followed up the trade aspects of that visit in 1981. The Foreign Secretary paid a short visit in 1982 in return for a visit by the Yugoslav Foreign Minister to London in 1981. The Yugoslav Foreign Trade Minister visited London in late 1982, and the Prime Minister, Mrs Planinc, was to have visited London in May, but her visit was postponed owing to the 1983 General Election. An invitation to visit the UK has also been extended to the Foreign Minister. RN ships visit Yugoslav ports at least once a year.

(vi) British Council

The British Council is responsible for implementing the Programme of Educational, Cultural and Scientific Cooperation which is re-negotiated every two years, most recently in 1982. The Council operates independently in Yugoslavia through two offices (4 UK-based staff in Belgrade and 2 in Zagreb plus a total of 23 locally-engaged staff). The Council's estimate for the programme cost for 1982/83 is £693,000. The Council's main activities are support for the improvement of English Language teaching, promotion of academic and scientific exchanges and the provision of an effective information and reference service. The Council also maintains a general lending library in Belgrade. There is support for visits by touring British companies and exhibitions.

SECTION VI: POLICIES OF OTHER COUNTRIES TOWARDS YUGOSLAVIA

14. British objectives are shared generally by other members of the Ten, particularly France, Italy and FRG. Relations with the USSR are no more than correct. During the visit by Mr Gromyko in 1982 and by the Soviet Prime Minister in March 1983, the Yugoslavs stressed their independence and non-aligned foreign policy. There is no evidence that the USSR actively meddles in Yugoslavia's internal affairs or that the USSR is using its favourable economic position vis-a-vis Yugoslavia to demand political concessions. Relations with the US tend to fluctuate, owing

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mainly to Yugoslav sensitivity about super power domination but the US pays much attention to developing closer relations with Yugoslavia and led the Western financial assistance package in 1983. Numerous Third World countries maintain active relations with Yugoslavia primarily because of its major role in the NAM. Yugoslavia's relations with Albania and Bulgaria are poor, aggravated respectively by alleged Albanian support for Albanian nationalists in Kosovo and by periodic disputes with Bulgaria over the ethnic status of Yugoslavia's 'Macedonians'.

SECTION VII: THREATS TO AND OPPORTUNITIES FOR BRITISH INTERESTS

A. THREATS

15. (i) The absence of Tito's unifying influence on the various Yugoslav nationalities, particularly the Albanians in Kosovo, and increasing economic difficulties could lead to serious disagreements between the Republican and Federal authorities creating tension within Yugoslavia and instability in the Balkans which the Soviet Union might then exploit.
- (ii) Continuing Yugoslav economic difficulties will hamper a recovery in British exports and could jeopardise repayment of debts due to HMG and other UK lenders.
- (iii) Yugoslavia's continued difficulty in correcting its trade imbalance with the West could lead to greater economic dependence on the CMEA, at least in the short-term.

B. OPPORTUNITIES

16. Western financial help to Yugoslavia and greater openness by the EC will give the authorities a vital breathing-space and help them implement market-orientated economic reforms, so helping to turn Yugoslavia's attention increasingly towards the West.

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ANNEX A: BASIC STATISTICS

YUGOSLAVIA

1. Land Area and Population

(a) Land Area	255,804 km ²
(b) Population (1981)	22.52 mill
(c) Population Growth Rate (1976-81)	0.9 % pa

2. Economic(i) Gross National Product

1981

(a) Total	62,930 US\$ mill
(b) Growth Rate (1975-80)	5.1 % pa
(c) Position in Total GNP League Table	28 (of 189)
(d) Per Head	2,790 US\$
(e) Position in Per Head League Table	59 (of 189)

(ii) Overseas Finance

(a) <u>Exchange Rate</u>	1979	1980	1981	1982	
£1 Sterling =	40.302	57.950	72.007	89.841	
Dinars per US\$ =	18.996	24.911	35.508	51.323	
(b) <u>Balance of Payments</u>	1979	1980	1981	1982	US\$ MILL
Exports	6,794	8,978	10,205	10,247	
Imports	-14,019	-15,064	-14,528	-12,229	
Invisibles and Transfers (net)	3,564	3,795	3,377	1,517	
Current Account	-3,661	-2,291	-946	-465	
Capital Account	-1,337	763	-968	-1,406	
Balancing Item	-9	-935	534	930	
Overall Balance	-5,007	-2,463	-1,380	-941	
(c) <u>International Reserves</u>	1979	1980	1981	1982	US\$ MILL
Total Reserves (excluding gold)	1,257	1,384	1,597	775	
Months of Imports covered	1.08	1.10	1.32	0.70	

(iii) Foreign Trade

(a) <u>Main Exports</u>	1977	1982	%
Electrical & Transport Machinery	32.2	31.1	
Manufactured Goods & Equipment	22.9	22.0	
Miscellaneous Manufactured Goods	13.9	18.0	
Chemicals	6.4	10.7	
Food & Live Animals	9.6	8.9	

(b) <u>Main Export Markets</u>	<u>1977</u>	<u>1982</u>	%	
USSR	21.7	34.1		
Italy	12.6	7.7		
FRG	7.4	7.1		
Czechoslovakia	3.9	5.0		
(UK)	(1.3)	(0.9)		
(c) <u>Main Imports</u>	<u>1977</u>	<u>1982</u>	%	
Electrical & Transport Machinery	35.3	27.1		
Fuels & Lubricants	13.4	26.4		
Manufactured Goods & Equipment	18.3	15.1		
Chemicals	10.3	12.6		
Raw Materials	9.8	10.4		
(d) <u>Main Import Sources</u>	<u>1977</u>	<u>1982</u>	%	
USSR	13.5	19.8		
FRG	16.3	14.0		
Italy	10.7	7.4		
USA	5.7	6.6		
(UK)	(3.7)	(2.5)		
(e) <u>UK Trade with Yugoslavia</u>	<u>1977</u>	<u>1982</u>		
Total UK Exports	175.0	158.9	£ mill	
Real Growth of Exports (five years ending)	9.7	-10.3	% pa	
Position in UK Exports League Table	37	45	(of 197)	
Total UK Imports	40.5	52.1	£ mill	
(iv) <u>Development Aid</u>				
(a) <u>Reported Aid Receipts</u>	<u>1976</u>	<u>1981</u>	US\$ mill	
From: DAC Countries on a bilateral basis	29.6	-17.6		
(of which, UK)	(--)	(--)		
Multilateral Organisations	1.7	2.8		
(b) <u>Aid per head</u>	<u>1976</u>	<u>1981</u>	US\$	
(i) Yugoslavia	1.45	-0.66		
(ii) All LDCs	NA	NA		
(v) <u>Inflation</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	% pa
Consumer Price Index	29.9	39.7	32.9	

(vi) <u>Overseas Debt</u> ¹	<u>1980</u>	<u>1981</u>	<u>1982</u>	%
(a) Debt Service Ratio	15.6	25.4	24.1	
(b) Overseas Debt/Exports	90.1	130.0	120.7	
(c) Overseas Debt/GNP	23.0	25.0	26.0	
(vii) <u>Overseas Direct Investment</u>				
(a) UK Investment in Yugoslavia				
(b) Position in UK League Table				NOT APPLICABLE
(c) Yugoslav Investment in UK				

1 In convertible currencies

UK MAJOR EXPORTS TO YUGOSLAVIA IN 1982 (£m)

Description	SITC	Value	% of Total	Cumulative %
Metalworking machinery	737.00	31,030.5	19.5	
Non-electric engines & motors	714.00	13,259.8	8.3	
Plates & sheets of iron & steel	674.00	5,179.5	3.3	
Instruments & apparatus for measuring, checking, analysing & controlling	874.00	5,168.8	3.3	
Medicinal & pharmaceutical products	541.00	4,894.3	3.1	37.5
Automatic data processing machines	752.00	4,821.4	3.0	
Non-electric parts of machinery	749.00	4,040.0	2.5	
Miscellaneous chemical products	598.00	3,907.9	2.5	
Motor vehicle parts	784.00	3,860.3	2.4	
Mechanical handling equipment	744.00	3,722.8	2.3	50.2
Machinery & equipment specialised for particular industries	728.00	3,575.7	2.3	
Internal combustion piston engines	713.00	3,371.9	2.1	
Telecommunications equipment	764.00	3,274.6	2.1	
Civil engineering and contractors' plant & equipment	723.00	3,212.9	2.0	
Organo-inorganic and heterocyclic compounds	515.00	3,124.0	2.0	60.7
Office machine parts	759.00	2,413.5	1.5	
Meat & edible meat offals	011.00	2,182.5	1.4	

Pumps & compressors; fans & blowers; centrifuges;
and, filtering & purifying apparatus

743.00 1,975.7 1.2

Carboxylic acids & their numerous forms

513.00 1,883.6 1.2

Heating & cooling equipment

741.00 1,872.4 1.2 78.0

TOTAL UK EXPORTS TO YUGOSLAVIA IN 1982 = £158,881.0 mill

Country	Area '000 Sq. Kms	Size of Population (million)	Growth rate of Population (% p.a.)	Total Armed Forces ('000)	Total Military Expenditure (\$ million)	GNP (\$ million)	Per capita GNP (\$)	Total Exports (\$ million)	Total Imports (\$ million)	UK Exports to (£ million)	UK Imports from (£ million)	No of Dip Missions in Country	Dip Missions Abroad	Membership Principal International Organisations
Albania	28.74	2.75	2.5	43	199	2.42	840	na	na	1.5	0.1	16	29	UN
Austria	83.9	7.5	0.1	50.3	870	68.4	9,120	15,432	20,184	279.7	307.3	72	56	UN, EFTA OECD Council of Europe
Bulgaria	110.64	8.90	0.5	149	1,340	32,73	3,690	10,163	9,339	35.2	14.4	46	72	UN WP CMEA
Greece	132	9.3	0.6	193.5	1,770	42,2	4,520	5,219	10,547	224.6	142.5	58	60	UN, CoE NATO, EC OECD, GATT
Hungary	93.00	10.74	0.4	101	1,240	41,27	3,850	12,359	12,858	69.0	43.3	66	113	UN WP CMEA
Italy	301.3	56.8	0.7	366	7,200	368,9	6,480	77,679	99,476	1,899.2	2,311.1	101	119	UN, CoE NATO, EC OECD, GATT
Romania	237.50	22.31	0.9	184.5	1,350	41,830	1,900	10,501	11,599	98.9	64.8	110	131	UN, WP CMEA IMF/IBRD
Yugoslavia	255.80	22.5	0.9	252.5	3,470	53,790	2,430	8,977	15,101	190.5	56.8	79	87	UN NAM IMF/IBRD



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Brief No 1(e)

MRS MILKA PLANINC (MEELKA PLAN-EENTS)

President of Federal Executive Council of Yugoslavia.
(Prime Minister).

Member of Croatian Presidency.

Born 1924, Drnis. Croat. Graduated from Higher Administration School.

Joined the League of Communist Youth of Yugoslavia in 1941, and the Communist Party in 1944. Sometime Head of Section in the Secretariat for Education and Culture of the Zagreb City Assembly. Secretary of Republican Secretariat for Schools and Education 1963-1965. Elected to Presidium of League of Communists of Croatia 1966. Member of the Executive Committee, of the League of Communists for Croatia 1968-71.

At the end of 1971, Mrs Planinc was elected President of the League of Communists of Croatia which made her an ex-officio member of the Presidium of the League of Communists of Yugoslavia. Re-elected 1974-78. Elected to her present position for a four year term on May 15, 1982.

Her husband Zvonimir (Zvonko) who has played no part in Mrs Planinc's political career, is a Slovene and retired about two years ago from his job as an engineer with the Zagreb enterprise 'Monter'. They have two grown children - one son, a student of architecture and one daughter, a sculptress at the Academy of Fine Arts.

Neither Mrs Planinc nor her husband speaks English.

ZIVORAD KOVAČEVIĆ (JEEVO-RAD KOVACH-EV-EECH)

Member of Federal Executive Council. President of Commission for Cadre and Organisational Questions of Federal Administration.

Born 1930 at Svetozarevo; Serb

Became Member of League of Communists of Yugoslavia 1946. Master of Political Sciences, Berkeley and Harvard. Amongst posts held are: Assistant Secretary Standing Conference of Towns 1956-1957, Director of Republican Institute of Public Management, and Assistant Secretary in Serbian Executive Council. Until March 1974, Secretary General of Standing Conference of Yugoslav Towns. 1974: Mayor of Belgrade. Re-elected 1978. President positions from 1982. Was a member of Central Committee of League of Communists of Serbia but lost his seat in 1982.

He has published articles on the communal system and edited a municipal magazine. Has visited UK many times, including official visits in July 1972 with a delegation of municipal representatives and in 1975 as Mayor of Belgrade.

Tall, likeable, highly intelligent man with wide cultural interest. He is likely to continue to rise. Excellent English. Married.

MIRKO OSTOJIC (MEERKO OSTOY-EECH)

Deputy Federal Secretary of Federal Secretariat for Foreign Affairs, since 1982.

Member of Central Committee of the League of communists of Yugoslavia.

Born 1923 in Vlasenica, Bosnia-Hercegovina. Serb.
Ambassador to Brazil for four years; Ambassador to Peking from
1978-1982.

Speaks excellent English and Portuguese.

Friendly, sociable and well informed. Probably one of the
pragmatists in the Central Committee, but cautious in
discussing Party matters.

DRAGI STAMENKOVIĆ (DRAGEE STAMENKOV-EECH)

Ambassador to UK since July 1981. Born in 1920 at Leskovac.
Wartime Partisan and holder of the 1941 Partisan Memorial
Medal. After the war he held a number of economic posts in
the Serbian and Federal Governments; member of the presidency
of the Socialist Federal Republic of Yugoslavia, 1971. Deputy
of the Federal Assembly 3 times and Deputy of the Republican
Assembly 4 times. Yugoslav Ambassador to Brazil 1971-74. Had
visited the United Kingdom on a number of occasions before
becoming Ambassador. Decorated with the Order of the National
Hero and bearer of various Yugoslav and foreign decorations.

Speaks reasonable English.

Married, with 3 children. Keenly interested in football.

KADIR ALIJAGIĆ (KAD-EER ALEE-AG-EECH)

Appointed Deputy Federal Secretary for Foreign Trade in 1982.

Private Secretary to Prime Ministers Bijedic and Djuranovic,
1977-82. Speaks very little English.

DRAGOLJUB KONTIC (DRAGO-LYOOB KON-TEECH)

Foreign Affairs adviser to Mrs Planinc.

Professional diplomat. Previous posts include Vienna, Bombay, Calcutta, London (1965-1968, 2nd Secretary), New Delhi and Lima. Served in President Tito's Private Office, 1962-5. Good English.

VLADISLAV JOVANOVIĆ (VLADEE-SLAV YOVANOV-EECH)

Head of West European Department, Federal Secretariat for Foreign Affairs, (FSFA)

Serb. Professional Diplomat. Previous posts include Ankara, Head of Planning Staff, FSFA, and Minister at Yugoslav Embassy in London. Excellent English.

JOVAN PREMERU (YOVAN PREMER-OO)

Head of Protocol of the Federal Executive Council, since 1980.

Croat, Professional Diplomat. Previous posts include Ethiopia and London (1968-72 and 1976-80, Press Counsellor).

Excellent English

MILUTIN STOJANOVIC (MIL-OO-TIN STOY-ANOV-EECH)

Minister Counsellor, Yugoslav Embassy, since September 1983. Born 1931, in Skopje. Has served in Italy and the USA. Speaks good English. Married; wife a professor of French.

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

YUGOSLAVIA IN THE NON-ALIGNED MOVEMENT

POINTS TO MAKE

1. Note Yugoslavia's long-standing commitment to Non-Aligned Movement (NAM). Moderating force.
2. Glad that Cuban Chairmanship now over, and attempts to align the NAM explicitly with Soviet Union were beaten off. Radical manipulation of the NAM reduces its credibility in Western eyes.
3. Welcome India's Chairmanship. Hope moderates will recover confidence and organise themselves better. Genuine non-alignment a contribution to world stability. Away from NAM meetings, many member governments realistic and balanced. But New Delhi Summit disappointing. Results unbalanced. Way in which NAM meetings work still allows extremists and regional interests to dominate Movement's policies.
4. NAM principles command respect - self-determination, non use of force, respect for UN Charter, resistance to super-power domination. But too often NAM abandons these when inconvenient. Rejection of self-determination for people of Falklands and facile endorsement of Argentina's territorial claim: legally frivolous, politically contemptible. Failure to criticise Argentina's use of force. Gentle treatment of Soviet Union (not even named explicitly in reference to Afghanistan). Can Cuba and Vietnam be considered non-aligned? Criticism of US military facilities in Indian Ocean: silence on more numerous Soviet facilities spread around the same region.
5. Wish Yugoslavia success in making the NAM more serious and better balanced.

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ESSENTIAL FACTS

1. Yugoslavia under Tito was the dominant force behind the foundation of the Non-Aligned Movement (NAM). Its first summit was held at Belgrade in 1961. The Yugoslavs have continued ever since to be active in the NAM. At the Havana Summit in 1979 Tito and other moderates ensured that the Cubans failed to gain endorsement of their thesis that the Soviet Union and non-aligned countries were 'natural allies'.
2. Yugoslav and Indian attempts to restore the movement after the years of Cuban manipulation began to bear fruit at the New Delhi Foreign Ministers meeting in 1981 when the movement went some way towards condemning (though not explicitly) the Soviet invasion of Afghanistan and the Vietnamese invasion of Cambodia. The Yugoslavs played a significant role at this year's New Delhi Summit where they were chosen to chair the Political Committee. They take credit for having influenced the final Political Declaration, particularly the passages relating to the principles of the movement and to disarmament.
3. The Yugoslavs are pleased with Indian chairmanship so far. They are aware of the imperfections of the movement and the damage done by the Cubans and other extremists. But their reliance on the Indians to steer the movement to a more central position may be optimistic. And their tendency to expect the West, despite being the target of regular NAM criticisms, to make allowances for the rhetoric and take NAM policies seriously needs constantly to be checked.

UNITED NATIONS DEPARTMENT
FOREIGN AND COMMONWEALTH OFFICE

10 NOVEMBER 1983

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF
YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BRIEF NO 3

EAST/WEST RELATIONS

POINTS TO MAKE

EAST/WEST

1. UK and Yugoslavia have common interest in stable East/West relations.
2. Many reasons for cool climate in East/West relations. Soviet Union appears unable to recognise that actions it claims to be in defence of its security (arms build-up, Afghanistan, KAL etc) appear threatening to others. Need to keep lines of communication open to avoid misunderstandings.
3. Concerned that East/West agenda now confined almost entirely to arms control; Soviet vision almost exclusively concentrated on INF. But must realise that propaganda attempts to separate US from Western European partners will not succeed, nor will attempts to discredit President Reagan. Results will only be achieved at negotiating table.
4. What are your views on Soviet leadership? What implications do you draw from Andropov's failure to appear at October revolution celebrations?

POLAND

Recent Developments

5. Continue to follow developments in Poland closely. Welcomed lifting of martial law and announcement of amnesty;



EAST/WEST ECONOMIC [Defensive]

11. Believe that trade between East and West should remain consistent with our broad security concerns and international obligations. Should be conducted on commercially sound terms and on basis of mutual advantage. Have no plans to alter this policy.

12. Our trade policy with Yugoslavia a separate matter and not subject to the same considerations as trade across the East/West divide.

ESSENTIAL FACTS

EAST/WEST POLITICAL AND SOVIET/YUGOSLAV RELATIONS

1. External: In recent weeks the Russians have been using their familiar tactic of blowing hot and cold. Aim is to discredit Reagan personally and to put under strain alliance solidarity over INF.

2. Internal: Andropov's absence from ceremonies to mark 66th Anniversary of the Revolution has prompted renewed speculation about his control. The official explanation that he has a cold appears inadequate and although his preeminence appears undisputed a further prolonged failure to appear in public will increase speculation both within and outside the Soviet Union about a possible successor. In these circumstances, although a breakdown in the day to day decision making process is not likely, it will be difficult to change existing policies.

Soviet/Yugoslav Relations

3. Yugoslav relations with the Soviet Union are correct but cool. Political differences tend to be put to one side rather than resolved. Russians have never forgiven Tito's break with Stalin in 1948 and the subsequent withdrawal of Yugoslavia from the orthodox communist fold. But Moscow recognises and accepts the growing importance of the NAM of which Yugoslavia is a founder member.

4. The last Soviet high level visit to Yugoslavia took place from 21-25 March this year when Tikhonov was invited to Belgrade as the guest of Mrs Planinc. Tikhonov's visit did little to overcome the fundamental differences between both sides. On the wider East/West front, the Yugoslavs blame both superpowers equally for the current level of



confrontation, much to the irritation of the Russians. On nuclear and conventional disarmament issues, the Yugoslavs have described the Soviet proposals as useful and positive but at the same time have stressed their support for any initiative leading to disarmament.

5. The poor state of the Yugoslav economy has heightened the Yugoslavs' dilemma about the extent to which she should increase her trade with the Soviet Union (which is already her biggest trading partner).

POLAND

Recent Developments

6. The lifting of martial law in July, partial amnesty, relaxation of foreign travel restrictions, withdrawal of military commissars from civilian enterprises were all positive moves. But the new legislation introduced at same time, if implemented in full will be repressive though less so than in most other East European countries.

7. The Yugoslavs welcomed the lifting of martial law. In their public comment they stressed that 'only the Polish people and their progressive forces must and can find a solution to overcoming the crisis in their country, without interference from any other quarter'.

AFGHANISTAN

8. The General Assembly has adopted four resolutions with overwhelming majorities calling for the immediate withdrawal of foreign (ie Soviet) troops from Afghanistan. This year's debate is scheduled for 21-23 November. The Pakistanis will again sponsor the draft resolution, but we will lend discreet lobbying support, stressing the global (ie not East/West) angle to maximise Third World support.

UN Talks

9. Cordovez's mediation effort remains deadlocked on the crucial question of a timetable for Soviet troop withdrawal. On 30 September, Perez de Cuellar told the Prime Minister that he would press for Soviet agreement to a timetable, and would continue his efforts as long as Pakistan and the Karmal regime wished. But he is not optimistic. Informal consultations have been taking place in the margins of the General Assembly. Cordovez may return to the area this winter.

Yugoslav Position

10. Yugoslavia has opposed the Soviet invasion and has supported all four UN resolutions.

EAST/WEST ECONOMIC

11. Yugoslavia is not a COCOM-proscribed or diversionary destination, and will therefore be unaffected by recent efforts to tighten up on COCOM enforcement procedures. But the Yugoslavs may be concerned lest any spin-off from Western attempts (which have received a good deal of publicity) to restrict the West/East technology leakage should affect their trading position with the UK. They can be reassured on this point.

Soviet Department

9 November 1983

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF
YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Brief No 4:

SOUTHERN AFRICA/NAMIBIA

POINTS TO MAKE

a) South Africa

Constitutional Reform/Referendum Result

1. Are keeping comment to a minimum. Hope it is beginning of process of real change and not the end. Must not write it off. But seriously flawed in making no provision for blacks. The shake-up of white politics and attitudes may prove to be the most important immediate consequence. What do Yugoslavia think? We shall continue to do what we can to encourage peaceful evolutionary change.

Destabilisation

2. Insecurity in Southern Africa damaging to States there, including, in longer-term, South Africa. How do Yugoslavia assess present position?

3. We take all opportunities to persuade the South Africans to moderate their approach. FCO Minister of State, Mr Rifkind, took the opportunity to do so during his recent visit to Southern Africa. But our influence is limited.

4. Clearly vital Southern African countries make progress towards mutual trust through greater contact. No sacrifice of principle is necessary. Some realism and pragmatism among African leaders and plenty of contact at working level. Needs encouraging; bound to be fragile while cross-border violence continues. Welcome Yugoslavian views on approach to reducing tension and violence.

/b) Namibia

b) Namibia

UN Plan for Namibia

5. We and partners in Five remain committed to early implementation of UN Plan. Value support of our friends: further patience both necessary and justified. Must preserve wide measure of agreement achieved so far.

UN Security Council/Secretary General

6. Five will continue to assist UN Secretary General in any way we can. Adoption of SCR 539 has not brought us further forward. 31 December deadline might add urgency to search for a settlement. We remain opposed to sanctions.

US/Angola Dialogue

7. Dialogue must be allowed to run its course. Our position on linkage clear (expressed in vote for SCR 539) but we must find a way out of present problems, which cannot be ignored. US not inflexible. Angolan security concerns must be addressed. Withdrawal of all foreign troops, Cuban and South African, from Angola would bring wider benefits and create atmosphere of confidence.

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

Brief No 4:

SOUTHERN AFRICA/NAMIBIA

ESSENTIAL FACTS (may be used freely unless indicated otherwise)

a) South Africa

Constitutional Reform/Referendum Result

1. In a referendum of the white electorate held on 2 November about the new South African constitution there was a 66% 'yes' vote, larger than expected. The reforms, which leave the system of apartheid intact, provide for a powerful Executive President, 3 separate Parliamentary Chambers (for coloureds, Indians and whites), a cabinet responsible to the President to deal with issues affecting all three groups and separate Ministers' Councils to handle 'own affairs', defined as affecting solely a particular racial community. Coloureds and Indians will have a measure of autonomy over their own affairs at the national level but the whites, who will dominate numerically, will continue to exercise effective control over national issues. The reforms take no account of black political aspirations which the South African authorities argue are catered for in the homelands. The proposals have aroused much controversy in all communities and have been universally condemned by the black African population.
2. Following the referendum result, Mr Botha said that a new foundation for national unity has been laid, (and) for reform in an evolutionary way. At the same time he made clear that his Government could not satisfy 'radical outside demands'.
3. South African authorities have shown themselves very sensitive to foreign comment about the referendum and the new constitution. We have been careful to avoid being drawn into the debate. Our hope is that these proposals, seriously flawed

/as

as they are, will set in train a process, obliging the Government to concede more, first to Coloureds and Indians, and eventually to Blacks. But the referendum result may harden black attitudes, possibly undermining moderate leaders. South African ministers talk about eventual representation at national level for urban blacks (though ruling out representation in Parliament) and have established a Cabinet Committee to examine how to make provisions for these blacks in the national political process. But there is unlikely to be early progress.

Destabilisation

4. South Africa's policies towards its neighbours have been increasingly aggressive in the past 2 years. The African National Congress (ANC) has, at the same time, mounted an increasing number of sabotage raids in South Africa. South Africa's policies are aimed at:

- i) The elimination of and ending of facilities for the ANC;
- ii) The reduction of communist influence;
- iii) The maintenance of neighbouring States in a condition of weakness and dependence on South Africa.

South African forces have engaged in cross-border operations in Lesotho (December 1982) and in Mozambique (May and October 1983). South Africa also supports armed opposition movements in neighbouring States and engages in direct and indirect economic sabotage. The economic, political and psychological effects are considerable.

5. Underlying South Africa's concern is a belief that the Soviet Union is engaged in 'a total onslaught' in Southern Africa. We do not dismiss the Soviet threat but doubt whether Southern Africa occupies a high priority in current Soviet external policy planning. We question the relevance and efficiency of South African tactics/strategy for countering the 'threat' and believe its policies may in the long term prove counterproductive.

6. We have tried to promote contact and political dialogue between South Africa and its neighbours, particularly Lesotho, but we see nothing to be gained by being drawn in as intermediaries. It is essentially for the states in the region to evolve their own modus vivendi.

Mr Rifkind's Southern African Tour

7. Mr Rifkind visited Angola, Zimbabwe and South Africa from 31 October to 8 November. The visit was one of familiarisation; it was also part of our continuing effort to influence South African thinking. It was stressed to African governments that the visit did not signal any change in our basic policy towards South Africa; these governments expressed full understanding of our approach.

b) Namibia

UN Security Council

8. SCR 539 adopted on 28 October by 14-0-1 (US). Condemns South African Government (SAG) for obstructing early settlement, rejects linkage, asks SG to report back to Council by 31 December on implementation of Resolution. Council should then consider 'appropriate measures' in event of further obstruction by SAG. Resolution not particularly helpful but nothing to justify our withholding positive vote. We took care to protect our position on sanctions.

US/Angola

9. Dialogue continues. US making genuine effort to address Angolan concerns. [Not for use: US pursuing 'last push' for settlement within lifetime of current administration].

Angolan Attitude

10. Angolans preoccupied by UNITA military successes (Cangamba,

/Calulo

Calulo in August, September). Probably more concerned now with restoring military balance than with pursuing dialogue with US. Their inexperience as negotiators, and lack of confidence in US, also factors.

SAG Attitude

11. No pressure on SAG to settle. Feel well in control of military situation. But have failed to create any viable anti-SWAPO grouping within Namibia. Too early to tell whether perceptions will be changed by Botha's victory in Constitutional Referendum.

Yugoslav Attitude [not for use]

12. Yugoslavs follow FLS line. Members of UN Council for Namibia. General support for Five's efforts. Condemn linkage, support calls for immediate implementation of SCR 435.

Southern African Department

8 November 1983



BRIEF NO: 5

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL
OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

INDO-CHINA

POINTS TO MAKE

1. Share Yugoslav view of importance of political solution in Cambodia based on the 1981 International Conference.
2. Must allow Cambodians to determine their own future. Coalition with Prince Sihanouk and Son Sann should help, and ASEAN's latest proposals very positive. Any sign that Vietnam will take them up?
3. Democratic Kampuchea's credentials not challenged this year. Any views on Vietnamese motives? Noted that ASEAN's resolution on Cambodia again secured an overwhelming 105 votes.
4. No sign of moderation or compromise from Vietnam and little suggestion of pressure from the Soviet Union.



INDO-CHINA

ESSENTIAL FACTS

1. The Vietnamese invasion of Cambodia in December 1978 ousted Pol Pot's pro-Chinese Democratic Kampuchean Government and installed the People's Republic of Kampuchea under Heng Samrin, which Hanoi has since maintained in power with a force of 150-180,000 men. The 1981 International Conference on Kampuchea (ICK) held in New York under UN auspices called for the immediate withdrawal of Vietnamese forces, free elections under UN supervision to allow the Cambodians to determine their own future free from outside interference and coercion, and respect for a neutral and non-aligned Cambodia. Vietnam and the Soviet Union boycotted the conference.
2. The Coalition established in July 1982 of Prince Sihanouk and Son Sann of the Khmer People's National Liberation Front with the Khmer Rouge under Pol Pot's lieutenant Khieu Samphan, may give the Cambodians a genuine non-communist alternative. Pol Pot has 30,000 guerrillas, Son Sann 10-12,000 and Prince Sihanouk 5,000. They have been operating more widely during the current monsoon. But they have no prospect of driving the Vietnamese out.
3. We withdrew formal recognition from Democratic Kampuchea in December 1979 but continue to support their seating at the UN. Last year the Coalition attracted 90 votes. This year the Vietnamese did not challenge (possibly fearing another overwhelming diplomatic defeat). The Yugoslavs continue to recognise Democratic Kampuchea as a government, and also supported ASEAN's standard resolution (which we co-sponsored) incorporating the ICK recommendations. They take a considerable interest in the Cambodia problem and are normally well informed on Vietnamese thinking. Vietnamese Foreign Minister Nguyen Co Thach, who met Mr Luce in London in October, claims to be maintaining a dialogue with his ASEAN's counterparts, but the Vietnamese have not responded to ASEAN's imaginative 'Appeal for Cambodian Independence' which called for a phased withdrawal (from west to east), UN observers, the return of refugees and the resumption of aid to vacated areas.



4. Indochinese refugee problems persist. Thailand is looking after over 350,000 including 225,000 Cambodians who have fled to the Thai border areas and are fed and cared for by the UN relief operations to which we contribute about £500,000 each year. Over 22,000 boat-people have reached havens in regional states so far this year. It is fewer than last year but 13,600 are still awaiting resettlement from Hong Kong. 'Orderly' departures from Vietnam under UN auspices are increasing, and may reflect Vietnamese concern at the continued exodus of boat-people. We have exhausted our own quota. We continue to take those who satisfy our family reunion criteria or who are picked up by British flag vessels (if they do not find resettlement elsewhere).

5. We suspended bilateral aid to Vietnam in July 1979. The EC continues to block food aid, too. Only UN, Swedish and a little French aid are available to supplement economic assistance from Comecon partners. Vietnam shows no sign of compromise over its Cambodian adventure. Direct military costs are not great, but diverted resources and lost investment will require continuing subventions from USSR at about \$5m a day. However, the Soviet Union shows no sign of pressing Hanoi for a solution. They have reaffirmed a determination not to discuss 'third parties' in their talks with the Chinese, and Geydar Aliyev (a senior member of the Politburo) went to Hanoi at the end of October to celebrate the fifth anniversary of the Vietnam-USSR Treaty of Friendship and Co-operation. An early end to the stalemate on Cambodia does not seem likely.

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE
COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC:
15-18 NOVEMBER 1983

LEBANON AND ARAB/ISRAEL

Points to Make

Lebanon

1. National reconciliation talks have made some progress. Important to keep up momentum. MNF contributors/Ten stressing need for concessions from all parties. Hope Yugoslavia/NAM can also speak. Prospects for talks?
2. MNF doing a useful job. Will remain as long as it can help create conditions for national reconciliation. BRITFORLEB guarding Ceasefire Committee at request of all
3. Assume proposal for Yugoslav ceasefire observers no longer under consideration?
4. (If raised). US retaliation for bomb attacks. Priority for all MNF contributors is reconciliation process. But all contingents have right to self-defence.

Arab/Israel

5. Lebanon has overshadowed the wider Arab/Israel peace process but efforts must continue. Mr Luce's visit confirms our commitment to active diplomacy along the lines of Venice principles.

PLO

6. Appalled by violence in Tripoli. Yugoslav assessment of situation and consequences for Middle East?



Essential Facts

1. Yugoslav Attitudes. The Yugoslavs take a standard non-aligned position on Middle East issues. This was set out most recently in the communiqué from the Non-Aligned Summit in Delhi in March which supported the Arab cause and the PLO; contained harsh criticism of Israel and of US support for Israel; and praised the 'advanced' European stand on Palestinian rights. The Delhi Summit agreed to set up a seven-member commission including the PLO under Mrs Gandhi's chairmanship to follow up on Middle East items. This has so far been inactive. The Yugoslav Chargé in London made clear to Mr Luce in July his government's support for Arafat and opposition to Syrian attempts to control the PLO. On 7 November an official Yugoslav statement called on all Arab countries and particularly Syria, to take steps to achieve a ceasefire between the PLO factions fighting in northern Lebanon.

Lebanon

2. First session of Geneva Reconciliation Talks (31 October - 4 November) reached agreement on formula continuing Lebanon's Arab identity and its commitment to Arab League Charters. Problem of 17 May Israel/Lebanon Agreement sidestepped by mandate to President Gemayel to 'undertake the necessary contacts to end the Israeli occupation'. Gemayel paid short courtesy call to Paris on 5 November, but no news of planned visits to MNF capitals or Arab states for substantive discussion. Talks in Washington likely to be delayed until President Reagan returns from Far East (15 November). Reconciliation talks were to have restarted 14 November but all parties accept that date will slip to end November. Difficult discussion of constitutional reform yet to come but signs of some progress by Commission left behind to prepare second session.

3. Military situation/observers. Ceasefire continues to hold in Lebanese fashion. Geneva talks agreed to strengthen quadripartite Ceasefire Security Committee: BRITFORLEB continues to provide guard for daily meetings. No progress on proposed deployment of 800 Greek/Italian observers into Shouf to monitor ceasefire.

Greeks/Italians have reaffirmed commitment but want further guarantees. Deployment unlikely until Geneva process moves towards conclusion. Yugoslavia initially mentioned with other neutral countries (Austria, India) as possible contributors but proposal shelved; all approached insisted on UN cover.

4. US retaliation for bomb attacks. President Reagan remains committed to retaliation but has few realistic options. We and Italians continue to urge restraint. US Deputy Secretary of State, Dam, made clear in talks with Prime Minister on 7 November that US would wish to consult us further. We have received subsequent assurance that no action will be taken until after President Reagan returns to Washington (15 November). Prime Minister stressed in House of Commons on 8 November right of MNF contingents to self-defence.

5. PLO. The situation in Northern Lebanon remains unresolved. Arafat and Loyalist PLO have been forced back into Tripoli under heavy fire from rebel PLO groups with Syrian logistical support. A short ceasefire, declared after a delegation of Arab moderates met President Assad in Damascus on 9 November, now appears to have broken down. The Ten made a statement on 9 November deploring the violence, calling for a cessation of hostilities, and reaffirming their commitment to a solution of the Arab/Israeli dispute which included the Palestinians' right to self-determination. If the main body of the PLO were to fall under Syrian influence there would be a move towards more hard-line policies. It would lose the support of moderate Arabs; and the wave of unrest reported in the West Bank, together with Mr Luce's impressions from his visit, confirm that many Palestinians would reject a Syrian-controlled PLO.

Near East and North Africa Department
11 November 1983

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

IRAN/IRAQ

POINTS TO MAKE

1. Interested in impressions of Mrs Planinc's visit to Baghdad in October. Are the Iraqis becoming war-weary?
2. UK anxious to see an early end to this conflict. Escalation in the Gulf undesirable - outcome uncertain. Any future role for the Non-Aligned Movement?

Super Etendard

3. Concerned that the use of these aircraft might widen the conflict. Every effort should be made to prevent escalation and involvement of other regional states.

Freedom of Navigation in the Gulf

4. UK concerned to preserve safe passage of neutral shipping. Would deplore actions by either belligerent which threatened this.

ESSENTIAL FACTSThe War

1. New Iranian offensive began along 60 mile front in the Northern sector on 20 October. Iran has made some small gains, especially around Panjwin, which has been evacuated by the Iraqis. Fighting continues. Iranians may now be preparing for further offensive in central sector.

United Nations

2. On 31 October UN Security Council adopted resolution 540 (full text at Annex A) which inter alia affirmed the right of free navigation in international waters around the Gulf and called upon Iran and Iraq to end the war. UK voted in favour of this French-inspired resolution in the interests of Western solidarity and in spite of serious misgivings about the way the exercise had been handled by the French. There were three non-aligned abstentions. The Iranian representative at the UN, Rajaie, said that by adopting SCR 540 the Council had lost its last chance, and his Government was no longer prepared to listen to it. However, he made it clear that his criticisms did not extend to the Secretary-General or the latter's Special Representative, Mr Palme.

Delivery of Super Etendards

3. Iraqi Foreign Minister announced on 2 November that aircraft had arrived in Iraq in October. But still no firm independent evidence that delivery has taken place.

Iraqi Intentions

4. Iraq has threatened to use the aircraft against tankers carrying Iranian oil in the Gulf. Present Iraqi tactics seems to be to increase the level of tension in the area (eg mining

/the

the entrance to Bandar Khomeini, rocket attacks on civilian targets on land) in an attempt to weaken Iran's willingness to continue the war and possibly to provoke Iranian retaliation and pave the way for use of Super Etendards. Iraq has warned that if the Security Council resolution is not scrupulously applied in toto she reserves the right to take any steps deemed necessary to protect her vital interests.

Iranian Intentions

5. Iran has threatened to stop all oil exports from the Gulf if her own oil exports are disrupted. She lacks naval and air capacity to mount a sustained blockade but could disrupt tanker traffic by hit and run attacks or by scattering mines. Will continue the war of attrition on the land.

Oil Supplies/Straits of Hormuz

6. Current exports of crude oil through the Straits are about 8.5 mbd against total free world consumption of about 44 mbd. Estimated overall deficiency resulting from a complete closure would be at least 4 mbd.

7. Such a shortfall could trigger the International Energy Agents (IEA) emergency sharing system, which, coupled with other international agreements, should contain physical problems. But prices would be likely to rise sharply, in the short-term at least.

UK View

8. We are neutral in the war and have not supplied arms to either side. Anxious to see an early negotiated peace and would support any realistic effort to achieve that end.

/Yugoslav View

Yugoslav View

9. Yugoslavia supplies arms to Iraq, though Iran remains a major market for other Yugoslav exports. Mrs Planinc visited Baghdad from 17-20 October and was received by Saddam Hussein. Although Iran/Iraq war was discussed we believe Mrs Planinc put forward no new proposals concerning the Non-Aligned Movement's role in mediation. Saddam Hussein was quoted after the visit as describing the Yugoslavs as 'remarkable friends to Iraq'.

Middle East Department

8 November 1983



Security Council

Distr.
GENERAL

S/RES/540 (1983)
31 October 1983

RESOLUTION 540 (1983)

Adopted by the Security Council at its 2493rd meeting
on 31 October 1983

The Security Council,

Having considered again the question entitled "The situation between Iran and Iraq",

Recalling its relevant resolutions and statements which, inter alia, call for a comprehensive cease-fire and an end to all military operations between the parties,

Recalling the report of the Secretary-General of 20 June 1983 (S/15834) on the mission appointed by him to inspect civilian areas in Iran and Iraq which have been subject to military attacks, and expressing its appreciation to the Secretary-General for presenting a factual, balanced and objective account,

Also noting with appreciation and encouragement the assistance and co-operation given to the Secretary-General's mission by the Governments of Iran and Iraq,

Deploring once again the conflict between the two countries, resulting in heavy losses of civilian lives and extensive damage caused to cities, property and economic infrastructures,

Affirming the desirability of an objective examination of the causes of the war,

1. Requests the Secretary-General to continue his mediation efforts with the parties concerned, with a view to achieving a comprehensive, just and honourable settlement acceptable to both sides;

2. Condemns all violations of international humanitarian law, in particular, the provisions of the Geneva Conventions of 1949 in all their aspects, and calls for the immediate cessation of all military operations against civilian targets, including city and residential areas;

3. Affirms the right of free navigation and commerce in international waters, calls on all States to respect this right and also calls upon the belligerents to cease immediately all hostilities in the region of the Gulf, including all sea-lanes, navigable waterways, harbour works, terminals, offshore installations and all ports with direct or indirect access to the sea, and to respect the integrity of the other littoral States;

4. Requests the Secretary-General to consult with the parties concerning ways to sustain and verify the cessation of hostilities, including the possible dispatch of United Nations observers, and to submit a report to the Council on the results of these consultations;

5. Calls upon both parties to refrain from any action that may endanger peace and security as well as marine life in the region of the Gulf;

6. Calls once more upon all other States to exercise the utmost restraint and to refrain from any act which may lead to a further escalation and widening of the conflict and, thus, to facilitate the implementation of the present resolution;

7. Requests the Secretary-General to consult with the parties regarding immediate and effective implementation of this resolution.



VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF
YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BRIEF NO 8: ARMS CONTROL AND DISARMAMENT

POINTS TO MAKE

INF

1. It now looks inevitable that first NATO INF deployments will have to take place as planned by the end of 1983. Little or no prospect that the Russians will agree to the zero option in time to prevent deployments.
2. Difficult to judge Soviet reaction to the first deployments. "Counter" deployments of new medium range missiles in Eastern Europe would doubtless have taken place in any case. They will not substantially increase military threat to Western Europe.
3. It is also quite likely that Russians will carry out threats to leave INF negotiations. This would be an unreasonable and senseless act. NATO after all has continued to negotiate while Russians were deploying new SS20s at rate of one per week. NATO will continue to be prepared to negotiate at any stage. Likelihood is that Russians will see it as in their interests to resume negotiations before long.
4. The Russians' recent proposals show no sign of a shift in their fundamental position: they are still demanding a monopoly of INF missiles in Europe and the total exclusion of such US missiles. This is unacceptable to the Alliance as a whole.
5. NATO negotiating position is flexible. Zero option remains objective but an interim agreement could provide for parity in missile warheads at whatever level the Russians wished.

British and French systems

6. The Russians' claim that they should be included in INF is simply a pretext for maintaining their monopoly of INF missiles. It has no basis in logic. British and French systems
/are

are strategic, of a similar type to US and Soviet weapons specifically excluded from INF. The Russians themselves insisted in SALT that British and French systems were strategic.

7. In the broader arms control context we seek no special privileges for special systems. We must naturally take into account that our strategic force represents less than 3% of the strategic nuclear forces available to the USSR. It would be absurd as things stand for us to seek to trade reductions. But we have never said 'never'. If Soviet and US strategic arsenals were to be very substantially reduced and if no significant changes had occurred in Soviet defensive capabilities we would want to review our position and to consider how best we could contribute to arms control in the light of the reduced threat. I have made this position clear in a reply to a message earlier this year from Mr Andropov.

8. START

Strong support for progress in START which is important to the security of both sides. Not pessimistic about chances of progress in 1984. But Russians will have to stop holding progress in START dependant on NATO not deploying new INF.

9. Two sets of amendments to US START proposals in June and October have considerably increased negotiating flexibility: proposals for stringent limits on ICBM warhead numbers have been put to one side and Americans are now prepared to make trade offs between their strategic bombers and Soviet strategic missiles. These offers demonstrate that the Reagan Administration are prepared to talk seriously and meet Soviet concerns.

CDE

9. Attach importance to CDE as forum for negotiating concrete measures which will genuinely enhance confidence and security in Europe. West's proposals will be designed to achieve greater openness about normal patterns of military behaviour and to reduce the risk of surprise attack. They will build on the
/measures

measures in the Helsinki Final Act.

10. CDE will be affected by overall state of East/West relations. Hope East will respond positively to West's serious and genuine approach. Encouraged by unpolemical atmosphere at Helsinki preparatory meeting.

11. Value close working relationship with NNA which developed in Madrid and hope this can continue at Stockholm.

12. Can agree to ministerial level opening at Stockholm but have not decided who will go.

MBFR (if raised)

13. Lack of progress disappointing but UK remains committed to negotiating significant reductions and lower equal ceilings on conventional forum in central Europe. Main obstacle remains Eastern refusal to acknowledge its existing superiority. Will have to consider relationship of MBFR to possible further (disarmament) stages of CDE in due course.



ESSENTIAL FACTS

1. The Yugoslavs have traditionally played a leading role amongst non aligned countries on disarmament matters; they were for example the progenitors of the first UN Special Session on disarmament in 1978. Their energetic efforts in New York and at the Committee on Disarmament in Geneva have tended to be fuller of rhetoric than realistic content. They will be genuinely concerned about prospects for INF and START and anxious to hear our views on prospects.

2. CDE begins in Stockholm on 17 January 1984, preparatory meeting in Helsinki 25 October for 3 weeks scheduled to end on 11 or 14 November. CDE confined to confidence and security building measures (CSBMs) until at least next CSCE follow-up meeting in Vienna in 1986 which will review progress. CSBMs must be militarily significant, politically binding, verifiable and cover the whole of Europe up to the Urals. Helsinki meeting showed NNA having more difficulty in getting their act together at CDE than they had at Madrid. Yugoslavia has not so far taken prominent role. May feel inhibited by mandate restriction to CSBMs, not disarmament proposals.

Defence Department
10 November 1983


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BRIEF NO.9

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA,
MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983

BI-LATERAL DEFENCE CO-OPERATION

POINTS TO MAKE

1. Recognise Yugoslav desire for off-set agreements as an essential feature of current and future defence equipment contracts with the Yugoslav Armed Forces.
2. Confirm that HMG will continue to encourage UK defence contractors to honour their off-set commitments but refer to the considerable efforts which have not succeeded because of inadequate responses from Yugoslav industry.
3. Acknowledge the useful work achieved by the Anglo-Yugoslav Joint Committee in developing defence equipment co-operation between Yugoslavia and the UK.
4. Confirm UK's desire to assist the Yugoslav Air Force in the development of a new fighter aircraft for the latter part of this century.
5. Express pleasure at the contract signed in June between Marconi Radar and the Yugoslav Federal Directorate of Supply and Procurement for the supply of radars ultimately destined for Libya. Hope that the current difficulties with Libya over downpayment terms will soon be resolved and confirm UK industry's wish to develop with Yugoslavia the prospects of defence equipment sales to third party countries.

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA,
MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983

RB 199 ENGINES FOR THE YUGOSLAV COMBAT FIGHTER

LINE TO TAKE (if raised)

1. Please that Yugoslavia is considering the RB 199 as a possible power plant for their proposed fighter and hope that everything is going smoothly.

(If pressed on the Mk 104 variant)

2. Understand that UK officials are in contact with those of the Tornado partners about the release of this engine and associated data.

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA,
MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983

ESSENTIAL FACTS

Off- Set

1. The poor state of the Yugoslav economy has resulted in an increasing emphasis in the requirement for off-set commitments in contracts with the UK defence industry. The Yugoslavs aim is to impose a commitment of about 30% of the contract value but their application of this contractual tool has been somewhat haphazard. It has been alleged that UK industry has an outstanding off-set commitment with Yugoslavia of some £16.7m. A recent Defence Sales Organisation (DSO) survey has, however, suggested that the outstanding balance is in the region of £13.8m and since the major portion of this (£7.5m) falls to one company, Rolls Royce, the remaining commitment in respect of the rest of the defence industry looks less daunting.

2. Off-set, or counter-trade, is an unwelcome but increasing feature of defence sales business throughout the world and UK industry has recognised the need to engage in off-set discussions if contracts are to be secured, this particularly applies to Yugoslavia. The majority of companies who have entered into off-set commitments have strived to honour their obligation by attempting to place contracts with Yugoslav companies both within and outside the defence sector. This is especially true of Rolls Royce. These efforts have, for the most part foundered because of Yugoslav industry's inability to provide an adequate response to these enquiries. Quotations have been uncompetitive in terms of price, quality of delivery, or the Yugoslav response has been too late or non-existent (an all too familiar occurrence). Thus UK industry faces an uphill struggle in honouring its commitments but to help them in this task the MOD has been looking at the prospects of purchasing Yugoslav goods or services; the prospects are not, however, promising. At present the MOD is investigating the adequacy of a Yugoslav glider for the Air Training Corps (unlikely to be successful) and at the possibility of package holidays in Yugoslavia for BAOR (a more promising proposition because of BAOR interest).

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3. This normally unlikely topic is inevitably raised by Yugoslav officials at all levels during discussions on bi-lateral defence equipment issues and is therefore likely to arise in similar discussions with Mrs Planinc.

The Anglo-Yugoslav Joint Committee (AYJC)

4. The AYJC was established in 1976 after the signing of an MOU covering defence equipment co-operations between the 2 countries. The Head of Defence Sales (Mr James Blyth) is the UK Chairman. The MOU provides the opportunity for Yugoslavia to discuss and pursue topics of interest with UK industry and Government establishments and the UK aim is to turn this interest into defence contracts in due course. Technical exchanges (usually one way!) are the routine fare of the AYJC but the annual meetings also provide the forum for frank discussions on irksome topics such as off-set, and to provide an over view on the more important sales related activities.

The Yugoslav Combat Fighter (YCF)

5. The Yugoslav Air Force (YAF) wishes to design and build a light, supersonic combat aircraft to enter service in the mid/late 1990s. Since they lack the necessary expertise to produce an advanced system such as this, the YAF has approached several countries in search of the design and manufacturing techniques necessary to achieve their aim. Several UK companies, primarily British Aerospace and Rolls Royce, have made presentations on the facilities and equipments they can offer and the MOD has supported these activities through the AYJC machinery and through assistance by the Embassy staff in Belgrade. It is reported that the YAF are to determine the way ahead with this project by the end of the year. A 'UK solution' looks promising (the French seem to be the main competitors) but central to the decision will be agreement to the supply of an adequate engine. Tri-national agreement has been obtained to offer the RB 199 Mk 101 but the Yugoslavs are pressing for a later version. The data on the engine required by the YAF for their decision making process is available but there are difficulties over its release (see separate brief). If these are resolved the

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future looks promising but a worrying feature concerns Yugoslavia's ability to fund such an ambitious project. For this reason MOD has suggested that the YAF might consider a joint programme with the Indian Air Force who have a similar requirement in a similar timescale. The Indian CAS has recently visited Belgrade, proposed an MOU and is waiting the imminent Yugoslav response. Cautious optimism would not therefore be misplaced in what could develop into an important contract both in political as well as industrial terms.

Third Country Sales

6. Yugoslavia is currently off ECGD Section 2 cover which inhibits defence sales. However in June 1983 a contract was signed between Yugoslavia and Marconi Radar for the supply of radars (value £87.5m) to form part of a largest deal between Yugoslavia and Libya (Operation SALAAM). This 3rd party involvement permitted a modicum of ECGD support and it is evident that the Yugoslavs would like to extend this type of arrangement since it provides the opportunity for them to earn badly needed foreign currency. UK industry has also recognised the possibilities opened up by the Marconi contract and others (principally) Marconi Comms and Cossor) are exploring the possibilities of similar contracts. This is not the door to Aladdin's cave since there will inevitably be restrictions imposed on some sales prospects. And the radar deal with Libya is not without its problems - the Libyans are seeking to re-negotiate down payment terms. Nonetheless it does provide an alternative defence out-let which is mutually beneficial to Yugoslavia and the UK.

Summary of Significant recent Defence Sales and Prospects

7. Development of Viper engine reheat for Yugoslav ORAO aircraft programme (Rolls Royce)	£7.2m	1978
BL 755 Cluster bombs (Hunting)	£9.7m	1982
Martello Radars (Marconi Communications)	£87m	1983

Prospects for the future include:

Tropospheric Scatter Communication equipment
(Marconi Communications) - to compliment sale of radars to
Libya. (Value £65m)



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IFF (Identification, Friend or Foe) Equipment
(Cossor)

(Value £80m)

Aid Defence Operations Centre/Sector Operations
Centre (Marconi)

(£8 - 10m)

Yugoslav Combat Fighter equipment.

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA,
MRS MILKA PLANINC: 15 - 18 NOVEMBER 1983

RB 199 ENGINES FOR THE YUGOSLAV COMBAT FIGHTER

BACKGROUND

1. The Yugoslavs have been looking at RB 199 as a possible power plant for their Light Combat Aircraft for some time and in January of this year, tri-national agreement was given to the release of data and supply of Mk 101 standard engines to them. However, the development of the Mk 104 standard of engine has been widely reported in the aviation press and Yugoslavia is pressing for this engine to be made available to them. The request has been considered within MOD and UK agrees to the release of a similar standard of engine (known as the 'Stage A') to Yugoslavia on the following terms:

- a. Release of the 'Stage A' standard of engine for production aircraft in 1993.
- b. Release of the Mk 101 engine with the extended reheat and analogue central unit of the Mk 104 for use in prototype aircraft in 1989/90.
- c. Release of uninstalled engine performance data straight away based on Mk 104 brochure information (though not identified as such).

2. Although the Mk 104 is a UK developed engine it is based largely on the tri-national Mk 103 variant and it was considered expedient to consult our partners informally. German officials are strongly opposed to this release and have indicated that they would advise their Ministers to oppose such a proposal if a request was made formally.

3. We are currently assessing the situation and reviewing our options. Supplementing briefing may well be available before Mrs Planinc's visit. Meanwhile the Yugoslavs are anxious for such a decision as soon as possible.

Ministry of Defence
November 1983



VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL
OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

RELATIONS BETWEEN DEVELOPING AND DEVELOPED COUNTRIES

Points to Make

PROSPECTS FOR WORLD RECOVERY

1. Now signs that world recovery firmly launched in North America and elsewhere. Developing countries must take advantage of recovery as it proceeds. Markets must be kept open and protectionist trends reversed. Williamsburg Summit and, more recently, Commonwealth Finance Ministers Meeting recognised this.

UNCTAD VI

2. UNCTAD VI the major event in 1983 calendar of continuing discussions between developed and developing countries.
Some modest but useful progress made. Over 20 resolutions adopted by consensus. This outcome owes much to efforts of Mr Mosjov (Yugoslav Federal Secretary for Foreign Affairs) in his role as President of Conference.

DEVELOPING COUNTRY ISSUES

3. Dialogue between industrialised and developing countries continues. Renegotiation of Lomé Convention now started. Hope Commonwealth Heads of Government meeting at end of month will make an important contribution. UNGA currently discussing world economic issues.



4. UK active in international efforts to deal with liquidity problems of developing countries. UK's proposal at IMF Annual Meeting on access accepted. UK also active in promoting consensus on new funding for World Bank and in search for agreement on Seventh Replenishment of International Development Association (IDA 7).

Recognise importance of debt problem for some developing countries and playing our part in efforts to deal with it.

5. UK stands by Williamsburg formulation on international monetary conference. Look forward to studies which G10 countries will undertake on progressive improvements to international monetary system.

Essential Facts

PROSPECTS FOR WORLD RECOVERY

1. Prospects for 1983 and 1984 are for a solid improvement in international economic climate. Resumption of lasting growth amongst industrialised countries will enable developing countries to export more, increase their earnings, service their debts and invest in the future.

UNCTAD VI

2. Developing countries disappointed at failure to make more progress at UNCTAD VI (6 June - 3 July, Belgrade). Conference a difficult one. Effective dialogue hampered by UNCTAD's unwieldy procedures. Despite rumours of a walk-out by developing countries, Conference finally adopted more than 20 resolutions by consensus after Mr Mosjov put together compromise package.

DEVELOPING COUNTRY ISSUES

3. Renegotiation of Lomé Convention started 6 October. Commonwealth Heads of Government to discuss world economic issues in New Delhi (23-29 November) and to consider three Commonwealth economic studies including 'Towards a new Bretton Woods'. G77 have renewed calls at current session of UNGA for launching of Global Negotiations, with focus on two-phase proposal (to leave issues affecting institutional competence to later stage). More details required.

Meanwhile we remain committed to an early launch on basis agreeable to all participants.

/4. UK's



4. UK's proposal at IMF Annual Meeting on access to IMF resources after 8th General Review of Quotas was accepted by Fund's Interim Committee. Question of contributions to Seventh Replenishment of International Development Association unresolved at IMF/IBRD meetings in Washington. Negotiations continuing this month. UK ready to support on basis of fair burden-sharing and within limits of what donors can afford.

5. Although part of the East European regional group in the UN, Yugoslavia is also a member of the G77 and the Non-Aligned.

6. For Yugoslavia debt see Brief No 13(c).

ECONOMIC RELATIONS DEPARTMENT
8 November 1983

BRIEF NO 11

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF
YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BALKAN AFFAIRS

POINTS TO MAKE

Multilateral Balkan Cooperation

1. Cooperation among Balkan states could be a useful stabilizing factor in European security. How do you view prospects?

(If pressed for HMG's view of Balkan Nuclear Weapon-Free Zone)

Remain sceptical about value of nuclear weapon free zones within Europe. Could still be targeted by nuclear weapons based well beyond borders of zones. Prime need is for reductions, not geographical redistribution of nuclear weapons.

Albania

2. Prospects for political relations between Yugoslavia and Albania?

3. Future of Albania after Hoxha (Hódgeah)?

UK/Albanian relations (if raised)

4. Have made clear to Albania that we would like to establish diplomatic relations without preconditions and sort out long standing problems later. Albanians have



turned us down for the moment. But our offer remains open. (Only if pressed): We may shortly have some fresh proposals to put to the Albanians; you will be briefed in advance of any eventual initiative.



BALKAN AFFAIRS

ESSENTIAL FACTS

Multilateral Balkan Cooperation

1. A number of efforts had been made, particularly by Greece, to promote multilateral cooperation between Greece, Yugoslavia, Romania, Bulgaria, Turkey and Albania. Yugoslavia welcomes this in principle but believes that the current lack of mutual confidence among the Balkan countries diminishes the chances of useful practical cooperation. Several meetings of the countries involved, less Albania, have so far produced few results. Yugoslavia has declared its willingness to participate in further talks on a Balkan Nuclear Weapon-Free Zone (see Brief No 8).

Albania

2. Political relations between Yugoslavia and Albania which deteriorated at the time of the unrest in Kosovo in 1981 remain cool. The Yugoslavs nevertheless are well placed to monitor developments within Albania and may have opinions to offer on the likelihood of shifts in Albanian policy in the post-Hoxha period (Enver Hoxha, the Albanian Party First Secretary, is now 75).

UK/Albanian relations

3. Britain has no diplomatic relations with Albania. The restoration of relations has been bedevilled by the twin problems of the so-called "Albanian gold" and the International Court of Justice award of compensation to the UK against Albania for the loss of two British destroyers in the Corfu channel incident in 1946. Albania has refused to



pay this compensation. In 1980 HMG told the Albanians that we were ready to establish diplomatic relations without precondition and without waiting for a resolution of the financial problems which had previously stood in the way. The Albanians have rejected this offer. Together with the US and France, our partners in the Tripartite Gold Commission which has responsibility for the "Albanian gold", we are now studying the possibility of a new initiative which, if successful, could lead to a resolution of the twin problems and eventually to the normalisation of relations between the UK and Albania. We believe the Yugoslavs have been told by the US that the US and UK are interested in improving relations with Albania, and they may know that the restitution of the gold may be part of an offer to the Albanians. We intend to brief the Yugoslav Government in advance of any initiative, which would take the form of an approach to the Albanians by the French, acting as messengers for the UK and US. The Yugoslavs would view with apprehension any significant re-alignment of Albania with either East or West but consider that any major shifts in Albanian foreign policy in the foreseeable future are only a remote possibility.

Macedonia

4. The Macedonian question is a source of current friction between Yugoslavia and Bulgaria. There are 1.8 million Macedonians in Yugoslavia and many fewer in Bulgaria and Greece. The Yugoslavs assert that Bulgaria, with Soviet support, sees Yugoslav Macedonians as Bulgarians and wants to establish a "greater Bulgaria" including Yugoslav Macedonia. The Bulgarians firmly deny any territorial ambitions. During a visit to Greece in October 1983, Mrs Planinc made a reference to the existence of "ethnic minorities" in the Balkans and suggested that such minorities should be a bridge to closer cooperation between Balkan countries. Though this could have been a reference



to Yugoslav relations with Bulgaria and Albania as much as a reference to relations with Greece, the comment caused embarrassment for her Greek hosts who have rejected the idea of the existence of a Slav minority in Greece.

Eastern European Department
9 November 1983

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BRIEF NO 12

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

EC-YUGOSLAV RELATIONS

POINTS TO MAKE

1. Attach political importance to Yugoslavia's relationship with EC. Have always pressed for helpful EC approach to Yugoslavia.

EC/Yugoslavia Trade Relations

2. UK policy is in general to avoid restrictions in EC/Yugoslav trade.

(As necessary) For example we resist requests for the re-imposition of duties on items covered by tariff ceilings.

(If pressed on tariff ceilings, textiles or other trade issues) Understand you will be seeing Secretary of State for Trade & Industry. Suggest you discuss these specific points with him.

EIB Lending to Yugoslavia

3. Glad that Yugoslavia has been able to make good use of 200 million ecu provided in current protocol. Confident that Community will be willing to provide further loans on expiry of current protocol.

4. (If pressed for UK support for New Financial Protocol before 1985) Naturally wish to help Yugoslav development efforts. Will look carefully at any Commission proposals. But considerable competition for EIB funds and Yugoslavia has already had generous access. Must also consider impact on Community's other Mediterranean partners.



5. (If asked about additional lending outside the Financial Protocol) Considerable competition for EIB funds. Yugoslavia has already had generous access. But this is a matter for the EIB. It would be for the Bank Staff to make a recommendation to the Board of Directors following an approach from the Yugoslav Government.

Baby Beef

6. Know how important this is to Yugoslavia; we worked hard to bring about improvements in import arrangements for Yugoslav baby beef during UK Presidency. EC/Yugoslavia Cooperation Council Community undertook in May to re-examine this problem. We are happy for them to do so.

ESSENTIAL FACTS

1. EC/Yugoslavia relations are governed by the 1980 Cooperation Agreement which gives Yugoslavia preferential access to the EC market for most industrial goods on a non-reciprocal basis except for a few sensitive products (mostly steel and textile). The conditions attached to the right of access are more favourable to Yugoslavia than those she enjoyed under the Generalised Scheme of Preferences before 1980. The Agreement also provides for preferential access for agricultural products, for European Investment Bank loans of up to 200m ecu over 5 years and for cooperation on energy, industrial development and labour matters.

Trade Relations with the EC

2. In signing a Cooperation Agreement with Yugoslavia covering such a range of areas, the Community was deliberately seeking to assist Yugoslav exports and to promote her westward orientation. However, the Yugoslavs have been disappointed by the operation of the agreement and the lack of improvement in their traditional trade deficit with the Community. In particular, they would like to see ceilings on imports of sensitive goods abolished. Once these ceilings are reached, the Community can, but does not have to, reimpose customs duties. We normally oppose reimposition. Mr Tebbit has been fully briefed to cover the detailed aspects of EC/Yugoslavia trade relations.

EIB Lending to Yugoslavia

3. During the EC/Yugoslavia Cooperation Council on 24 May the Yugoslavs asked for access to EIB lending in addition to

the 200m ecu in the current Financial Protocol which will all be committed by the end of this year. The additional funds are required for infrastructure projects and to finance imports of investment goods to assist the re-structuring plans of Yugoslav industry. The Commission had earlier told Mrs Planinc (about whose visit to the Commission Member States were not consulted in advance) that the EIB had powers autonomously to lend money to countries such as Yugoslavia outside the Financial Protocol and that the Bank were, in principle, ready to consider such additional lending. This is primarily a matter for the EIB and its Board of Directors (although the Council would have to approve the accompanying borrowing guarantees) but the Board are most unlikely to agree to any proposal for additional lending at present.

4. All Member States are agreed, and have made clear to the Commission, that they see no grounds for additional lending before the expiry of the current Financial Protocol in 1985. At the Cooperation Council the Community undertook merely to examine the Yugoslav request.

Baby Beef

5. A problem area in EC/Yugoslav relations since Greek accession. Yugoslavia traditionally exported as much baby beef to Greece as to the Nine. To take account of Greek accession, the Community agreed to negotiate a protocol to adapt the 1980 EC/Yugoslavia Agreement. This proved difficult because of Irish and French intransigence. Finally in September 1981 a significant quota increase was agreed for EC imports of baby beef, but to a level slightly lower than Yugoslavia's combined exports to Greece and the Community before Greek accession. Meanwhile, high Yugoslav costs made her baby beef uncompetitive on the EC market and

her trade with Greece all but stopped. The Council therefore agreed in October 1981 to reduce the levy on Yugoslav beef to not more than 50% of the normal third country rate. The UK Presidency worked hard for both these improvements. But the Yugoslavs have still not been able to sell their full quota, partly as a result of the market situation within the Community. At EC/Yugoslavia Cooperation Council in May, the Community undertook to re-examine this problem, but the Commission have taken no further action. An increase in Yugoslav beef imports would be in competition with UK producers and would result in a rise in CAP expenditure in terms of increased intervention costs or export refunds.

European Community Department (External)
11 November 1983

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Brief No 13(a)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

POLITICAL RELATIONS

POINTS TO MAKE

General

1. Yugoslavia's importance and constructive international activity well recognised in Britain. Firmly support Yugoslavia's independence and non-alignment. Useful to have regular bilateral exchanges; bilateral relations now very good. Important to maintain dialogue in many fields. Glad there are no serious problems to impair further development.

Forthcoming Bilateral Exchanges

2. Value our good relations. Look forward to future exchanges of views. Find them very useful. Perhaps officials could explore possible further areas of cooperation.

(For Secretary of State) Recall meeting with Mr Mojsov in Madrid in September. Look forward to meeting again for substantial political consultations before long.

Emigré Activities (if raised)

3. Recognise your concern but must distinguish between political and criminal activities. Cannot act against former, no matter how strongly we may disagree with views of those concerned. But will not tolerate terrorism. As we have repeatedly made clear we will not abet or condone any attempts to undermine Yugoslav unity.



(If Yugoslavs suggest that our toleration of political activities by Yugoslav emigrés contravenes our commitments under CSCE)

4. CSCE obliges us to refrain from assistance towards terrorist activities directed towards the violent overthrow of the Government by another participating state. No obligation to hamper legal political activities. Would remind you moreover that there is no evidence that emigrés in the UK have infringed our laws. Final Act therefore binds us to respect their freedom of thought.

Asylum case: Aleksa Djilas (if raised)

5. The decision to grant asylum to Aleksa Djilas was taken in accordance with our obligation under the 1951 Convention on the Status of Refugees and 1967 Protocol. Should not be seen as an attempt by HMG to subvert the Yugoslav political system. Our position is clear; we support Yugoslav independence and integrity. Hope Yugoslavs will see this case in context. We see no reason for it to become an irritant in our bilateral political relations.

(if pressed hard) Yugoslav treatment of political opponents inevitably influences public opinion in the West. HMG will not act to restrict legitimate political activity in the UK by those whose views differ from the Yugoslav Government.

Mrs Stana Tomasevic-Arnesen

6. The Prime Minister may wish to offer condolences on the death of Mrs Tomasevic-Arnesen (pronounced Toma-shayvich-arnessen), President of the Federal Chamber of the Federal Assembly, in July of this year.



Zagreb Air Disaster (if raised)

7. Understand there are some discrepancies in UK and Yugoslav views of responsibility for the Zagreb Air Disaster. We have no doubt that our Report gives full and correct version. But not a matter in which Governments should become involved; priority is to achieve early settlement of claims.



POLITICAL RELATIONS

ESSENTIAL FACTS

General

1. Relations with Yugoslavia are good. The only problems are the chronic imbalance in bilateral trade, the activities in the UK of dissident Yugoslav emigres and Yugoslav hypersensitivity to occasional adverse comment in the British Press and media.

Bilateral Exchanges

2. There is an outstanding invitation to the Yugoslav Foreign Minister, Mr Mojsov (pronounced Moy-sov) to visit Britain, following Mr Pym's visit as Secretary of State to Yugoslavia in July 1982. The Secretary of State met Mr Mojsov briefly in the margins of the Madrid meeting in September.

3. A visit by Mr Rifkind to Yugoslavia next year is being considered although dates have not yet been fixed.

4. Other proposed visits to Yugoslavia in 1984 include visits by HRH Princess Anne and the Minister of Sport for the Sarajevo Winter Olympics in February and by the Chief of Naval Staff.

Emigrés

5. The Yugoslavs complain regularly about the activities of dissident emigrés, mostly Croatians, in the UK. The Yugoslavs recognise, when pressed, that we cannot act against purely political activities and that on the whole the Yugoslav emigré community in the UK has given little

cause for complaint. During her visit in 1980 the Prime Minister gave the Yugoslavs some comfort by reaffirming that we would not tolerate terrorism, or support those who attempted to undermine Yugoslav unity.

British Press coverage of Yugoslavia

6. In general, the British Press when it takes an interest in Yugoslavia is not unsympathetic. But the Yugoslavs occasionally complain about unfavourable articles and television reports, especially if they focus on those early post-war years when Yugoslavia's human rights record was worse than it is now. They particularly resent (inaccurate) allegations that they are under the thumb of the Soviet Union and closely associated with the Warsaw Pact.

Asylum Case: Aleksa Djilas

7. Aleksa Djilas, the son of Milovan Djilas, a former intimate of Tito but now a stern critic of the regime who lives in Belgrade, was granted political asylum in the UK in August 1983. The Home Secretary was satisfied that Djilas, who has been studying in the UK since 1980, had established a well founded fear of persecution for his political beliefs (as required by the 1951 Convention on the Status of Refugees and the 1976 Protocol) if he were to return to Belgrade. When informed of the Home Secretary's decision by the Embassy in Belgrade the Yugoslavs commented that the case would cast a shadow over UK/Yugoslav relations; Djilas would, they said, inevitably abuse his position in the UK by advancing his political propaganda campaign against Yugoslavia.

8. In fact the Yugoslav response was framed in milder terms than had been anticipated. It is unlikely that the Yugoslavs will raise this issue during the talks but they may mention it in the margins. If they do, it should be



made clear that we do not wish the case to cast a shadow on our bilateral relations. But the Yugoslavs should be reminded that HMG will not act to restrict legitimate political activity in the UK (Djilas has not been involved in illegal activities in the UK).

Mrs Tomasevic-Arnesen

9. Mrs Tomasevic-Arnesen, who died in July this year, was President of the Federal Chamber of the Yugoslav Federal Assembly. The Prime Minister met her at a working breakfast on the last morning of her official visit to Yugoslavia in September 1980.

Zagreb Air Disaster

10. On 10 September 1976 a British Airways Trident carrying 54 passengers and 9 crew collided with a Yugoslav DC9 carrying 109 passengers and 5 crew over Zagreb. There were no survivors from either aircraft. The UK Final Report, which incorporates the Yugoslav 2nd Report, was published in June this year. We have no doubt that responsibility for the accident rests squarely with Zagreb Air Traffic Control. The Yugoslavs have tried to suggest, however, that some blame must lie with the BA crew for their failure to carry out correct observation procedures. There is no evidence to support this and it may be that the Yugoslavs are attempting to spread the blame for the accident, thereby reducing Yugoslav liability when the claims are settled.

Eastern European Department
9 November 1983

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VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL
OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BILATERAL QUESTIONS

(B) COMMERCIAL RELATIONS

POINTS TO MAKE

- 1 When Dr Bojanic (Yugoslav Federal Secretary for Foreign Trade) met Mr Peter Rees a year ago in London, the latter told him of HMG's wish to encourage Yugoslav trade with the UK.
- 2 Glad to see that over the past year, Yugoslav exports to the UK have in fact shown a marked improvement. (over 60%)
- 3 Glad also that various projects in Yugoslavia involving UK firms eg the Zorka tinsplate works at Sabac are progressing satisfactorily. Britain values the long and friendly record of trade and industrial co-operation with Yugoslavia.
- 4 The Prime Minister has heard about the European Community "Business Week" held in March 1983. Does Mrs Planinc feel this achieved a useful purpose in encouraging trade between Yugoslavia and Member States?



VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL
OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

BILATERAL QUESTIONS:

(B) COMMERCIAL RELATIONS

Essential Facts

1 For many years Yugoslavia has had a large trade deficit with the UK and other EC countries; brief details of bilateral trade are as follows:

	<u>£m</u>						
	<u>1978</u>	<u>1979</u>	<u>1980</u>	<u>1981</u>	<u>1982</u>	<u>Jan-Sept</u>	
						<u>1982</u>	<u>1983</u>
UK Exports	160.9	173.8	176.4	195.1	158.6	122.3	106.9
UK Imports	37.9	51.3	47.8	42.5	52.1	36.5	59.5
Balance	<u>122.4</u>	<u>122.5</u>	<u>128.6</u>	<u>152.6</u>	<u>106.5</u>	<u>85.8</u>	<u>47.4</u>

The ratio of Yugoslav exports to the UK of UK exports has improved (from the Yugoslav point of view) in recent months. It seems this may be due to changes in exchange rates which have made Yugoslav exports more competitive. There has been a gradual decline in the UK's share of the Yugoslav market. Machinery and manufactured goods still form the bulk of our export trade, while Yugoslav exports in particular to the UK wine, furniture and clothing.

2 Opportunities for British companies have declined in the traditional industrial sectors because of Yugoslavia's acute shortage of foreign exchange and unavailability of ECGD cover except on short term but business should nevertheless continue in the mining, energy, agriculture and food processing sectors together with spare parts and equipment for existing installations. Large projects are likely to be few and far between. Co-operation continues satisfactorily on existing projects, eg the Zorka tinsplate works (Davy McKee and BSC).

3 A meeting of the Anglo-Yugoslav Trade Council is due to take place during early 1984 in Belgrade.

Brief No 13(c)

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL OF YUGOSLAVIA, MRS MILKA PLANINC, 15-18 NOVEMBER 1983.

FINANCIAL AND ECONOMIC RELATIONS

POINTS TO MAKE

1. Glad that we were able to make a special contribution to the 1983 financial cooperation package. Governmental loan unprecedented. Serves as tangible evidence of our support at a moment of particular difficulty.
2. Impressed by efforts made by Federal Executive Council to implement economic reform and stabilisation. External assistance can support but not substitute for internal economic adjustment - as we ourselves have had to learn. Understand you have constitutional problems in this area. How do you assess progress and prospects?
3. Ready to play our full part in framework of the further multilateral discussions on 1984 arrangements, beginning in Geneva on 18 November. Accept your wish to avoid the Paris Club.
4. Premature to discuss precise nature of new arrangements. Believe support should focus on the central problem of meeting the needs and reducing the strains arising from the weight of debt maturities. Will work for widespread cooperation in dealing with this.
5. Existing UK credit commitments already very large. Understand that some £130m of UK medium/long term credit was taken up in 1983 and £115m is due to be disbursed in 1984. In addition the facility for £20m short term credit will stay in place.

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FINANCIAL AND ECONOMIC RELATIONS

ESSENTIAL FACTS

1. The UK's financial and economic stake in Yugoslavia is substantial. Of the total external debt of \$19bn, unguaranteed claims by British owned banks are \$0.9bn and ECGD - the largest official creditor - has \$1.2bn at risk.
2. Earlier this year we participated in a \$5bn assistance operation for Yugoslavia involving Governments, banks and international organisations. In addition to the economic dimension, the objective was to demonstrate practical support for Mrs Planinc's Government in its efforts to avoid a major collapse and prevent the growth of instability in Yugoslavia which could be damaging for Western political and strategic interests.
3. Under the assistance package, commercial banks agreed to roll over short term loans (\$0.8bn), refinance \$1bn of medium term maturities and provide \$600m of new money; the Bank for International Settlements provided short term bridging finance of \$500m; the IMF and World Bank agreed to advance some \$900m and 15 Western Governments pledged \$1.3bn of finance and new export credit. HMG's contribution comprised an outright Government loan of £38m, ECGD guarantees for \$40m of medium term bank loans to refinance payments due to UK exporters, plus £20m of revolving short-term cover. Although some other Governments provided more in volume terms, much of it was in the form of tied export credits which the Yugoslavs have been unable to use so far. The timelines and high quality of the UK contribution has had an excellent effect on bilateral relations.
4. Despite progress in economic reform and adjustment during 1983, on the basis of an IMF programme, there is

likely to be a financing gap of about \$2.5bn in 1984. A requirement of this magnitude will need to be met by further multilateral arrangements rather than separate bilateral understandings. The normal recourse for countries in similar difficulties is to debt rescheduling in the Paris Club, but as in 1983, the Yugoslav Government would regard this as a political defeat. They are instead seeking another special assistance programme involving new finance from Governments, and banks.

5. Our interest is to steer Yugoslavia away from unrealistic expectations of new finance and towards arrangements concentrating on debt restructuring (suitably dressed up to avoid the stigma of rescheduling, taking place outside the Paris Club, and granted on appropriate terms). Having demonstrated Western good faith through the exceptional help given in 1983, it should be possible to encourage the Yugoslavs to adopt a more normal approach to their problem in 1984. Debt restructuring should be an adequate and efficient means of meeting the financing requirement provided (as could be expected) it was done by banks as well as all Governments and the IMF and World Bank continued their support. It would ensure equitable burdensharing among all parties (the UK has done more than most in 1983). To limit support in this way would maintain pressure on the Yugoslavs to accept a tight IMF programme designed to tackle the underlying economic difficulties. It would also be very difficult for us (and some others) to provide new credit. There are Public Expenditure and wider debt-management policy problems about another Governmental financial loan; whilst the considerations which precluded new medium term export credit in 1983 remain: ECGD's exposure is already very high with loan drawings in respect of existing projects involving UK supplies and contractors amounting to £130m in 1983, and an expected £115m in 1984.



6. Multilateral discussions between 15 Western Governments, the IMF and the Yugoslavs will begin on 18 November in Geneva. It would be premature to specify the precise amount and nature of the UK contribution in 1984 until a common Western position is agreed in the light of the various financial and political factors. At present, while most countries and the IMF share the view that the main thrust of Governmental help should be on restructuring of debt, there is likely to be some pressure, particularly from the Americans, for new export credit to be provided also.

Eastern European Department
9 November 1983

VISIT OF THE PRESIDENT OF THE FEDERAL EXECUTIVE COUNCIL
OF YUGOSLAVIA, MRS MILKA PLANINC: 15-18 NOVEMBER 1983

CULTURAL RELATIONS

Points to Make

1. We value our long standing cultural links with Yugoslavia.
2. We are pleased that exchanges under the present two year cultural programme (1982/83) are working well and look forward to negotiating the next programme in Belgrade next February.
3. Official exchanges are important. But we particularly welcome the ever-increasing number of exchanges and links outside the official programme, especially those between universities and institutions in our two countries.
4. We are glad we were able to allocate £20,000 for Yugoslav scholars in 1984/85 under the FCO's new Discretionary Awards Scheme.

Cultural Relations Department

8 November 1983



CULTURAL RELATIONS

Essential Facts

1. The British Council began its work in Yugoslavia in 1936 and since the War has operated there much as it does in Western Europe. The Anglo-Yugoslav Cultural Convention was signed in Belgrade on 27 January 1966. Its intention was to reaffirm the importance which both Governments attached to existing relations and to provide a means of giving those relations further expression. Under the Convention the British Council was formally designated as the 'appropriate institution' on the UK side to deal with the two year Executive Programmes. The Yugoslavs have not nominated an institution on their side, and rely upon their Embassy in London. The next programme is to be negotiated in Belgrade from 27 February to 2 March 1984.

2. Sir John Burgh, the Director General of the British Council, and Lady Burgh accepted an invitation from the Federal Institute to visit Yugoslavia in October 1983. Their visit was very successful. Sir John Burgh has reported the great interest in Yugoslav establishments of higher education in further developing links with colleagues in Britain.

3. Educational links are active. Under the British Council's Travel Grants Scheme there have been 50 visits by Yugoslav academics to Britain and 20 visits by British academics to Yugoslavia in the past calendar year. Nine Yugoslav scholars visited Britain and eight British scholars visited Yugoslavia in 1982/83 under the executive programme.

4. The British arts have also been active in Yugoslavia during the present programme. Events have included concerts and plays performed in various Yugoslav cities by the London Bach Orchestra and the Brighton Youth Orchestra, and by the Actors Touring Company, the New Shakespeare Company and the English Language Theatre. British poets, Fleur Adcock,

Linton Kwesi Johnson and John Cooper Clarke, have also visited Yugoslavia. The Age of Shakespeare Exhibition was displayed throughout Yugoslavia from December 1982 until March 1983, followed by an Exhibition of Henry Moore Graphics between May and October 1983. On the Yugoslav side, an exhibition of Beehive Paintings from Slovenia has been on display at the Horniman Museum since August and an exhibition of Montenegrin Folk Art will open there on 8 December.

5. The then Foreign and Commonwealth Secretary, Mr Pym, announced in February 1983 new measures of support for overseas students over the next 3 years. One of the new measures of support is the FCO administered Discretionary Awards Scheme. Under the Scheme £20,000 has been allocated to Yugoslavia to enable Yugoslav students to study in Britain during 1984/85.