

CONFIDENTIAL



10 DOWNING STREET

From the Private Secretary

16 November 1983

Visit of Yugoslav Prime Minister

I enclose a copy of the record of the tete-a-tete conversation between the Prime Minister and Mrs. Planinc which took place here today. A record of the plenary discussion will be circulated separately.

I also enclose copies of the speeches which were made at lunch.

I am copying this letter and enclosures to John Kerr (HM Treasury).

A. J. DOLAN

Roger Bone Esq
Foreign and Commonwealth Office.

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master

SUBJECT

RECORD OF A CONVERSATION BETWEEN THE PRIME MINISTER AND THE
PRIME MINISTER OF YUGOSLAVIA AT 1115 HOURS on WEDNESDAY
16 NOVEMBER AT 10 DOWNING STREET

Present:

Prime Minister	Mrs. Planinc
Mr Coles	Mr Kontic
Interpreter	Interpreter

The Prime Minister said that she was anxious to hear the views of Mrs. Planinc on the dominant world issues. When she had paid her official visit to Yugoslavia, which she had much enjoyed, the problem of Poland had just become acute. Now the times were even more troubled owing to the world economic recession and difficulties in East/West relations. Mrs. Planinc agreed that the meeting was taking place at a time when the world situation was disturbed. That made the meeting particularly valuable. The Prime Minister would always be a welcome guest in Yugoslavia and she hoped that a return visit would be paid before very long. The Prime Minister recalled that she had visited Yugoslavia for the first time when Tito was alive. The development of Yugoslavia in the post-war period had been one of the great stories of our time. We were watching with fascination the application of the new constitution.

Mrs. Planinc said that for both internal and foreign policy reasons Yugoslavia had no alternative to a policy of independence and non-alignment. That policy alone guaranteed internal stability. Understandable anxiety had been expressed after Tito's death as to whether Yugoslavia could persevere on the path which he had mapped out. But both the leadership and the people of Yugoslavia believed that that path was the only one to follow.

/She was

She was very concerned about the state of East/West relations, especially as she could not begin to see the beginnings of an improvement. Yugoslavia was committed to the preservation of peace. It believed in a dialogue between large and small countries on an equal footing. The great powers had particular responsibilities. It was desirable that the nuclear balance should be set at a lower level but unfortunately it now seemed to be proceeding to a higher level. All calculations showed that the world could be destroyed several times over by existing arsenals. The arms race led nowhere but to evil. Yugoslavia wondered whether this was due to erroneous assessments of West and East. Since each side possessed sufficient weapons already, the explanation for the arms race must be political. If the West believed that it could exhaust the Soviet Union economically by an arms race, that was an illusion. All experience showed that the stronger the pressure on the Soviet Union from outside, the stronger were the internal forces pushing for flawless cohesion. Such democratic impulses as there were could have no effect in these circumstances. On the other hand, if the East had ever believed that Cruise and Pershing would not be deployed, that had also been an illusion.

The Prime Minister agreed that there was great mutual suspicion. The question was how it could be removed. Neither President Reagan nor Mr. Andropov knew the other's country. Each time we tried to start a closer dialogue, something occurred to upset it, whether it was the despatch of Cubans to Angola, the Soviet invasion of Afghanistan or the shooting down of the Korean aeroplane. But she believed that the latter event had now receded somewhat into the background and there must therefore be a fresh effort at dialogue. We would contribute to that.

/Mrs. Planinc

Mrs. Planinc said that it was precisely the mutual suspicion that caused Yugoslavia concern. If the problem of a lack of will for dialogue could be overcome, that would be a major achievement. The Prime Minister said that it was bound to be a slow process. She would be interested in Mrs. Planinc's assessment of the Soviet leadership. The Soviet system was very rigid and we did not believe it could change substantially. So we had to talk to whoever was in power. But we needed to build up to that through a long and slow process. It might be possible to send signals through Eastern European countries like Hungary that we were genuine in our desire to reduce armaments.

Mrs. Planinc said that the arms race had become a vigorous ideological war. If it continued, the dangers would multiply. History showed that although states had different systems they had a common interest in the survival of mankind. When a situation of peace and stability prevailed that favoured the forces in COMECON which sought reform. She was under no illusion that there could be major reforms but if the Soviet bloc felt threatened in any way, the political system became even more closed. If there could be no dialogue on a global scale, it was desirable to make efforts through smaller channels of the kind which the Prime Minister had mentioned.

In an atmosphere of confrontation great powers were tempted to involve themselves in all the focal points of crisis if they felt that their interests were engaged. She did not know Andropov personally but others who did so, mainly in Eastern Europe, took the view that his appointment was the best outcome of the leadership struggle. He was clearly ill but Yugoslavia had no special sources of information about his health because it did not have that kind of direct relationship with the Soviet Union.

/She had been

She had been pleased with her talks with Mr. Tikhonov during his visit to Belgrade. Yugoslavia had defended its own standpoint staunchly. But for the first time the Soviet side had not put in the forefront of discussion the differences between the two countries. They had spoken, rather, of long term co-operation. It was not possible to change Soviet policies but it was still possible to co-operate with the Soviet Union. Yugoslavia had developed with it an economic relationship which was balanced and to the interest of both sides.

If the world situation deteriorated further, the great powers might again seek to assess how their strategic interests were affected by the situation in Yugoslavia. She very much hoped that this could be avoided. She knew personally quite a number of Soviet leaders. Tikhonov was open-minded and easy to talk to.

The Prime Minister recalled that when travelling to Tokyo for the Economic Summit in 1979, she had had two hours of talks in Moscow with Kosygin. It was an unusually frank discussion. It was desirable to persuade Soviet leaders to visit the West. She had recently discussed with Mr. Trudeau the visit to Canada of Gorbachev. The latter had been disappointing in that he seemed to stick to the official line throughout.

We were earnestly seeking a reduction in our arms expenditure. But peace depended on the military balance. So disarmament had to be multilateral. The negotiations had tended to be conducted through public statements; it would be better if the activity was confined to the negotiating table. Mrs. Planinc entirely agreed. The Prime Minister stated that she was very concerned about the level of misunderstanding between East and West. We must try to break through this. We must not fail because of misunderstanding.

/The dialogue

The dialogue would be greatly helped if the Soviet Union were to give some indication of preparedness to withdraw from Afghanistan. Mrs. Planinc said that the Yugoslavs made this point directly to the Soviet Union. The latter argued that if other international issues were resolved they would withdraw. The Prime Minister commented that that was merely an excuse.

Mrs. Planinc said that before the plenary talks began she wished to give the Prime Minister a frank assessment of the situation in Yugoslavia.

Yugoslavia wished to stay independent and non-aligned. The world needed the kind of Yugoslavia which it had now. There were no political problems but there was an economic crisis which had many causes. Yugoslavia's trade with the countries of Eastern European was very beneficial and amounted to \$10b. in volume at present. There was a mutual interest in increasing it. But there had been major disruptions in Yugoslavia's trade with the European Community, the United States and Japan. For the sake of Yugoslavia's destiny there had to be a balance in trade with the West. There was now a large deficit in trade both with the European Community as a whole and with its individual Member States. The past support of the 15 Western Governments had been very helpful in supporting the programme of stabilisation. Britain's help had been particularly appreciated. This support meant a great deal to Yugoslavia economically but its importance was primarily political. It showed that the countries concerned cared about Yugoslavia's position.

Yugoslavia would continue to need understanding. The economic situation at the end of this year was relatively satisfactory. But two more years would be necessary to surmount the most acute problems. Yugoslavia wished to

/refinance

refinance the obligations which would fall due next year. A rigid system for honouring obligations had been put in place. It was functioning well but was a very heavy burden. In due course economic problems could become a political problem for Yugoslavia. So she hoped for understanding when the request was made for financial support for next year. A level of support lower than for this year would be necessary. She would prefer bilateral support than resort to the Paris Club for the political reasons which she had already explained.

The Prime Minister said that Yugoslavia's independent status and prosperity were very important to us. We understood the politics of this. We further appreciated that Mrs. Planinc in particular was making strenuous efforts to get the economy right and that these efforts were meeting with a response.

The discussion ended at 1210.

A.J.C.

16 November 1983

T O A S T

by

Mrs. Milka Planinc, President of the Federal
Executive Council at the lunch given by
Mrs. Margaret Thatcher, Prime Minister of
Great Britain

London,

November 1983

Madam Prime Minister,
Ladies and Gentlemen,
Friends,

First of all, I wish to express my gratitude for the heartfelt hospitality accorded us and your appreciation for my country and its people.

We, Yugoslavs, have always felt at home in your midst which, by many of its characteristics, is close and dear to us. The peoples of our two countries have been bound by a firm adherence to the ideals of freedom and independence. The sincere friendship we forged as comrades-in-arms in two World Wars, and in World War II in particular, constitutes a stable and lasting basis of our co-operation in peace.

Different international positions and socio-economic systems have never been an obstacle to an all-out development of our relations and co-operation, based on mutual respect, independence and mutual benefit. This has a broader significance for the relations in Europe and the world, especially today when international relations are passing through an exceptionally grave period of mistrust, tension and conflicts.

The talks we had today have revealed a similarity of views on many key issues facing this turbulent world of ours, and a firm mutual resolve to promote bilateral co-operation in all areas in which common needs and possibilities exist.

It is with pleasure that I note that our relations and co-operation have been developing along a constantly ascending line. A considerable contribution to this has been made by your visit to my country, the first official visit of a British Prime Minister to Yugoslavia, which our people still hold in pleasant and lasting memory.

In addition to an intensification of political contacts and dialogue, our co-operation in the fields of industry and finance, culture and education, tourism and human contacts is also developing successfully. Your country's financial support to our programme of economic stabilisation this year contributed to the strengthening of our overall relations.

It is quite natural that such a diversified co-operation should be cherished and promoted in order to make our all-out relations even more stable and lasting.

Above all, it is necessary to increase our efforts in order to reduce the imbalance in our trade,

which would have a favourable impact on a more dynamic development of other forms of economic co-operation. It is encouraging that our trade has considerably improved this year, although the overall volume of exchange has diminished. Considering that a more balanced trade is in the mutual interest, we hope that further understanding will be shown for an increase in Yugoslav exports to the British market and that a more rapid progress will be made in the development of other types of economic links, in particular, joint ventures and co-operation on third markets.

Madam Prime Minister,

I have already said how much we are committed to the consolidation of peace, security and to the development of equitable co-operation in the world.

Unfortunately, the present international situation is very serious and does not provide much room for optimism. Almost all areas of international relations have been affected by a complex crisis, profound distrust and conflicts.

The key foci of tension and the most pressing international problems are not being solved; they are being exacerbated and dangerously complicated. Many channels of international communication have become paralysed, while the remaining rare dialogues and contacts bear no results.

The unbridled arms race, heedless rivalry of the great powers and blocs, the strengthening of positions and the expansion of spheres of influence, frequent use of force, foreign interference and military intervention, serious disruptions in the world economy and the deepening of the division of the world into rich and poor - sound a potent alarm that international relations are dangerously and speedily approaching uncontrollable maelstroms and dark crevices.

Despite all these unfavourable trends, we consider that the heading of the world towards a new cold or even "hot" war is not the only way out, and that it is possible and necessary to put an end to the further deterioration and to return the international

relations onto the track of reason, negotiation, indispensable trust and co-operation.

The non-aligned countries, as an independent and constructive factor of international relations, have shown at their Summit Conference in New Delhi the direction and offered a comprehensive programme for surmounting the general crisis in the world. International developments after that Conference and the ineffectiveness of one-sided approaches and partial measures in international relations have confirmed the correctness of the warnings of the non-aligned countries that comprehensive and just solution of major international problems with equal participation of all parties concerned, is the only right way for overcoming the present deep rifts and crises in the world.

The successful termination of the Madrid Meeting of the Conference on Security and Co-operation in Europe provides an example that political understanding between participants with opposing views is possible and useful; it is also an encouraging guidepost for resolving other pressing international issues, especially in Europe and around it, where the dark clouds of storm are gathering ever more.

It is therefore no exaggeration to say that it is imperative at this moment that the voice of reason should prevail over sabre-rattling, that arms race and preparations for dangerous confrontation should give way to constructive initiatives, understanding and co-operation.

That is why we attach great importance to the forthcoming Conference on security and confidence-building measures and disarmament in Stockholm. Well prepared and with the engagement of all participants, the Conference could mark a turning point in the development of the situation in Europe, which would undoubtedly have a favourable impact on the overall climate in international relations.

Madam Prime Minister,

By ever extending the bounds of our co-operation and strengthening mutual trust, our two countries are making an invaluable contribution to the stability of the relations in Europe and to the realisation of the goals and spirit of Helsinki.

I propose this toast to the health of Her Majesty Queen Elizabeth II, to your health, Madam Prime Minister, and to the health of all the guests, to an all-out progress of the friendly people of the United Kingdom and to the further strengthening and promotion of friendship and co-operation between our two countries.

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