



cc PC

Foreign and Commonwealth Office

London SW1A 2AH

4 March 1988

Dear Charles,

CDP/B

Yugoslavia: Visit by Djuranovic, Member of  
Federal Presidency: 22-25 March

I enclose a draft for the speech which the Prime Minister is to make at lunch for Djuranovic on Wednesday 23 March. The Foreign Secretary is content with it.

One of our main objectives for Djuranovic's visit will be to maintain pressure on the Yugoslavs to adopt more sensible, market-oriented economic policies. The draft reflects this. But it needs to strike an appropriate balance between admonition and recognition of our special links with Yugoslavia. It therefore also contains positive references to other aspects, in particular the importance of Yugoslavia's relationship with the European Community.

The Yugoslavs have asked if they may be given the text of the Prime Minister's speech in advance. I hope the Prime Minister will agree to this. They plan to publish the text in full, and have promised us Djuranovic's text before the lunch takes place. If texts have been exchanged in advance, the Prime Minister's remarks could, we suggest, be translated simultaneously to Djuranovic only by the interpreter: all the other members of his party speak good English. (Djuranovic's speech will, we assume, need to be translated consecutively.)

Yours ever,  
L. Parker

(L Parker)  
Private Secretary

C D Powell Esq  
10 Downing Street

DRAFT SPEECH BY THE PRIME MINISTER AT LUNCH FOR MR VESELIN  
DJURANOVIC, MEMBER OF THE YUGOSLAV FEDERAL PRESIDENCY, 23 MARCH

Your Excellency, ladies and gentlemen. I am delighted to welcome you and your delegation on this important visit. It adds another link to the strong chain of friendship, mutual interest and open discussion which has bound Britain and Yugoslavia together over many years.

Yugoslavia is a unique country. I have travelled there ~~a~~ ~~total of~~ three times on official duties. My two visits as Prime Minister were highly memorable. The first was to mark a sad moment in your history - the funeral of President Tito. On the second occasion later in 1980 you, Mr Djuranovic, acted as my host as chairman of the Federal Executive Council. You have occupied several important political posts since then. I am glad to say that I have stayed where I am. But it is a great pleasure that I can now repay some of your hospitality.

Our bilateral relations are established on a firm and well-tryed basis. We have a history of 150 years of diplomatic relations, cooperation in two world wars and links between our peoples at all levels. I said to you in 1980 that our two countries, from being staunch allies in wartime, had become warm friends in peace, able to speak frankly to each other on a wide range of issues. That is still true and necessary today. There are few barriers between us, and almost no constraints on the subjects we can discuss and tackle together.

By its struggle for freedom during the war, Yugoslavia made a major contribution to European history. Britain gave active and practical support. Subsequently Yugoslavia developed and put into practice its own distinctive system of socialism. This process has been marked by increasing recognition of the need for a decisive role for market forces. Our own process of development has been very different, resting as it does on a multi-party system and the sovereignty of Parliament. But we share an acceptance that the market is the most effective way of realising a nation's potential and increasing its wealth.



The process of exposing an economy to market forces requires difficult and often painful decisions. Our own experience, over the past nine years, has been that clear objectives are needed. They need to be fought for, in the face of inevitable opposition. The problems are never easy. But to postpone solutions simply makes things worse. The Yugoslav people do not lack the qualities of courage and imagination which are needed. As in the past, we in Britain will support you in your search for appropriate policies and, together with the IMF and Yugoslavia's other Western creditors, for a sound long term basis for the restructuring of debt.

Successful foreign trade performance is a vital part of your programme of economic recovery. I am glad to say that trade between Britain and Yugoslavia is contributing strongly to this. Exports by British companies to the Yugoslav market have increased, and reached some £206m last year. Your own exporters also have much to be proud of. In 1982, the year in which your stabilisation programme was drawn up, the ratio of our visible trade was over 2 to 1 in Britain's favour. Our visible trade is now almost balanced. Yugoslav exports to the British market have increased from £52m in 1982 to £175m last year. And you are also forging ahead in the trade in invisibles. Last year around three quarters of a million British visitors enjoyed the sun and friendliness of Yugoslavia. With a country as beautiful as yours, that is not surprising. But it is gratifying, and a useful contribution to your economic health.

A stable and prosperous Yugoslavia is very much in the interests of Britain and I believe also of our partners in the European Community. I am glad that, last year, negotiations were successfully concluded on the new trade and financial protocols to Yugoslavia's Cooperation Agreement with the Community. The year ended with a productive meeting of the Cooperation Council. A positive and forward-looking resolution was adopted on relations between the Community and Yugoslavia. It noted our common desire to strengthen, intensify and broaden cooperation. We in Britain greatly welcome this, and the striking increase in Yugoslavia's exports to the European Community over the past decade. There are

of course significant differences between Yugoslavia's economic system and those of Community countries. The match between us is not perfect. But we in Britain have worked hard and will continue to do so to achieve a relationship which is as rewarding and positive as possible to both sides. The Round Table on "Yugoslavia and Europe", to take place here next month, will play its part in this process.

Your Excellency, we can be proud of the friendly and open relations which our countries already have. For the future, there are opportunities for even more extensive and fruitful cooperation. Your visit, and our talks, will have made their own contributions to the process. I raise my glass to relations between Britain and Yugoslavia, to the success and well-being of the Yugoslav peoples and to you and your colleagues in the Presidency of the Socialist Federal Republic of Yugoslavia.

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