

MR POWELL

8 March 1988

*He being joined  
with brief for  
Djuranovic visit*

*COO.  
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c Mr Ratford, FCO  
Mr Figgis, FCO

LUNCH WITH THE YUGOSLAV AMBASSADOR

1. I had lunch with the Yugoslav Ambassador, Mr Calovski, today.
2. He asked about the likely subjects for discussion when Mr Djuranovic called on the Prime Minister on 23 March. Following the line already taken by the Foreign Office, I suggested (a) East/West relations, to include Yugoslav/Soviet relations and perceptions of Mr Gorbachev in the light of the latter's visit to Belgrade just before Djuranovic's London visit; (b) the Yugoslav economy and relations with the IMF and European Community; (c) bilateral relations, including our claims over the Zagreb air disaster.
3. Under 2(b) above, I emphasised the importance we attach to Yugoslavia adopting a more market-orientated policy and reaching a satisfactory agreement with the IMF. The Ambassador pleaded volubly for sympathy and understanding as well as prescription. He said the Yugoslavs would particularly welcome a sympathetic attitude from the Prime Minister on the question of a bridging loan, a matter of £600m, to see them through from the end of the first quarter this year to the end of the summer when their tourist receipts would come in. He said the Italians had been helpful, promising to consider this application. I said I could not, of course, give a final answer on this point, but should wish to leave him under no illusions. Our Ministers would be likely to regard a good IMF agreement as the pre-requisite for anything else; thereafter we would be anxious to play a constructive role, but not before.

4. Under 2(c) above, I said that we would attach importance towards a satisfactory settlement of the Zagreb claims. I understood that we were nearing the end of the legal process. The Ambassador confirmed this. It was not possible to intervene in the judicial process, but once that was over the Yugoslavs would want to adopt a helpful attitude in the interests of good relations with the UK.

5. The Ambassador said that Djuranovic might also wish to raise the subject of the United Nations, in particular Yugoslavia's coming role as President of the Security Council. He was a little concerned at the shortness of the time available for the interview with the Prime Minister and hoped it would be possible for the conversation to go on during lunch. I assured him that there would be no difficulty about this.

6. Another subject likely to be raised is that of a visit by the Prime Minister to Yugoslavia soon. The Yugoslavs recognise that 1988 is out of the question but hope that a visit in 1989 will be possible.



PERCY CRADOCK