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THE PRIME MINISTER

14 April 1988

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Your Excellency*

It was a great pleasure for me to meet you in London on 23 March and be able to discuss matters of mutual interest, especially to hear at first hand of your Government's determination to tackle Yugoslavia's present economic problems.

One particular point you raised which I promised to enquire into concerned the sale of Airbus aircraft to Adria Airways. I am told that ECGD and the other export credit agencies involved are examining the possibility of providing support for a leasing arrangement. This would be subject to the reasonable condition that the current negotiations with the IMF on an economic adjustment programme and the subsequent debt restructuring negotiations with the Paris Club of creditor countries are concluded satisfactorily. It would also be subject to agreement among creditor agencies that such leasing arrangements would be excluded from any future debt reschedulings.

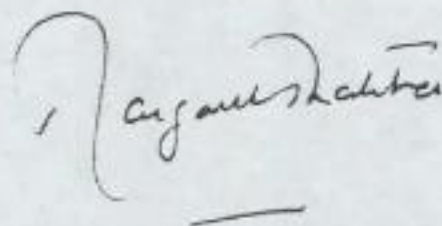
Although I understand that delivery of the first Airbus aircraft is not scheduled until next year, Airbus Industrie will obviously want to be sure that cover is available from the export credit agencies. I am told that the partners in the Airbus Consortium and indeed Adria Airways were prepared to accept the leasing arrangement proposed.

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As we noted during our meeting, a great deal depends upon the first step of reaching a satisfactory agreement with the IMF on appropriate economic adjustment measures, which should lead to the negotiation with your major creditor countries of a realistic debt restructuring plan that Yugoslavia can cope with: this is clearly a matter of great mutual concern since, amongst the export credit agencies, the ECGD has one of the highest exposures on Yugoslavia, deriving from past support given to your country.

As always, we in the United Kingdom want to extend all the friendship and support we can to Yugoslavia and I look forward to a successful outcome to all the matters we have discussed not least the supply in due course of Airbus aircraft to Adria Airways.

Yours sincerely


Margaret Thatcher

His Excellency Mr. Veselin Djuranovic