

**SUBJECT
MASTER**

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FILE

C: PANIC (MJ)

bcc RB



Filed on:

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

29 July 1992

Dear Christopher,

CALL ON THE PRIME MINISTER BY THE PRIME MINISTER OF YUGOSLAVIA,
MR MILAN PANIC

Thank you for the briefing which you provided for Mr Panic's call on the Prime Minister which took place this afternoon. Mr Panic was accompanied by his Foreign Minister, an adviser and the Chargé at the Yugoslav Embassy. Mr Hogg and Charles Grey were present.

Mr Panic said the situation in Yugoslavia was giving ground for optimism. The airport was open. Aeroplanes were landing. He was a businessman, not a politician or a diplomat. The people of Yugoslavia were decent people. The problem could be put down to 1,200 terrorists. Peace would break out if the terrorists could be controlled. It was basically a Yugoslav problem. He was an optimist for peace. Just speaking about it helped.

The Prime Minister said that he did not see how 1,200 terrorists could create 2m. refugees or the appalling deaths or ethnic cleansing that ~~was~~ taking place, some of it sponsored by the Serbian Government. Mr Panic said that Serbia was one of his states. Those responsible for wrong doing would be condemned. He wanted them to be tried in England.

The Prime Minister asked who controlled the Serbs in Bosnia. Mr Panic said he had cut off payment from Yugoslavia to Bosnia. The army was under his control. He had invited the UN to monitor the airports to show that he had control there. There was no infiltration of Serbs into Bosnia but there were, of course, a lot of Bosnian Serbs.

Mr Hogg said that in March 1991 Milosevic had told him that if Croatia seceded he would appropriate the Serbian dominated parts. He had done just that. How could Panic put a stop to that?

Mr Panic got a bit cross at this point. Yugoslavia had no territorial interests. He had been to see Tudjman. He was not interested in the past but in the future. What would be the role of the British conference? He wanted to deal with all the crucial interests including Kosovo and the return home of

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refugees. He knew all about refugees having been one of them. Wars were never solved by negative people but by people like him.

The Prime Minister reverted to the issue of how to get the militia under control. The principal cause of the problems was Serbian aggression and Milosevic. Mr Panic said he would not discuss Milosevic in a wider meeting but only with the Prime Minister alone.

The Prime Minister drew attention to the undetermined legal status of the FRY. Mr Panic said that he wanted to finish with the old Yugoslavia. He wanted a new Yugoslavia. The Prime Minister said that, be that as it may, the FRY needed to apply for admission to international organisations. At the moment it was a self-created entity. Mr Panic said he did not care whether he was recognised or not. All he wanted to do was to talk peace. Mr Hogg said that did not mean that Mr Panic could avoid getting his legal tackle in order. Mr Panic became cross once again saying that if we wanted to make legal issues a priority that was up to us. His priority was peace and an end to ethnic cleansing. He was meeting Boban and Karadzic to discuss how to handle the issue of weapons and terrorists.

Mr Hogg said that the Serbs had got to understand that they simply could not carve out land. Mr Panic said that he would recognise Tito's borders. It would be very tough for the Serbs to return territory but it had to be done even if something different was agreed in the longer term. He needed the Prime Minister's help to back his peace mission and he wanted to go and see Chancellor Kohl so that everyone was behind him.

Mr Hogg asked why, if Mr Panic was in control, there was no ceasefire in areas under Serbian control. Mr Panic said that he had threatened those concerned and it had worked. He was in constant touch with people in Gorazde. He repeated his plea for moral help. As evidence of his serious intent at the UNHCR conference the International Red Cross had come to him asking for his backing for an exchange of prisoners. He had taken them by surprise by saying "let's do it tonight" but then the Croats had not turned up. Britain must influence them.

In private conversation with the Prime Minister about Mr Milosevic, Mr Panic said that he had only taken the job of Prime Minister on the understanding that Milosevic would resign. The Prime Minister should now write to Milosevic saying that if he stood down sanctions would end. The Prime Minister asked what would happen if Milosevic refused to stand out. "Then I will stand down" said Mr Panic.

Comment.

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I am copying this letter to Simon Webb (Ministry of Defence)
and Sonia Phippard (Cabinet Office).

Jam,
J.S. Wall

J.S. Wall

Christopher Prentice, Esq.,
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