

COVERING CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

22 September, 1983

See file,

Visit of Mr Manea Manescu, Romanian Vice President: Call on
Prime Minister

/ I enclose briefing for the call on the Prime Minister
by Manescu at 1000 on Friday 23 September.

See file
R B Bone

(R B Bone)
Private Secretary

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CALL BY MR MANEA MANESCU, ROMANIAN VICE PRESIDENT,
23 SEPTEMBER

POINTS TO MAKE

GENERAL

1. Bilateral political relations without major problems. Follow with interest Romania's stand on various international issues. Hope to see Romania maintaining independent line.

ECONOMIC ISSUES

2. Impressed by determination of Romanian Government to make economic adjustment necessary to live within means and service debt.

3. Glad it was possible to complete Paris Club negotiations on 1983 debt rescheduling so quickly. What are prospects for avoiding need for further rescheduling in next three years?

EAST-WEST

4. Ready for more constructive relationship with Soviet Union, if Soviet conduct allows, but cannot ignore Soviet behaviour (arms build up, Afghanistan, Poland, attitude to human rights). World opinion has made clear condemnation of shooting down of Korean airliner.

5. In Poland we are looking for deeds not words from authorities. Difficult to see how lasting political and economic stability can be achieved without genuine dialogue between Government and people. Romanian views?

6. Continued presence of some 105,000 Soviet troops in Afghanistan remains of utmost concern to UK and international community. Withdrawal of Soviet troops

remains key to a settlement. We expect further resounding vote of condemnation at the forthcoming UNGA debate.

INF

7. Grateful for President Ceausescu's message on INF. Have noted its contents. Remain sceptical about value of nuclear weapon free zones in Europe.

COMMERCIAL RELATIONS

8. Value trading relationship with Romania. Should like to see a mutual improvement in trade levels. Some improvement in world economic climate may be necessary before this can happen, but there are hopeful signs. Hope Romanian side will continue to take steps to clear remaining commercial overdues to UK companies.

9. (Defensive; if raised) ROMBAC: Essentially a matter for the commercial judgement of those involved original contract in 1978. HMG hopes all parties can resolve the difficulties reasonably and in a mutually acceptable way.

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CALL BY MR MANEA MANESCU
ROMANIAN VICE-PRESIDENT, 23 SEPTEMBER

ESSENTIAL FACTS

BACKGROUND TO THE VISIT

1. Mr Manea Manescu, Vice President of the State Council, a member of the Political Executive Committee of the Central Committee of the Romanian Communist Party and former Prime Minister, is visiting Britain as a COI Category I sponsored visitor from 17-24 September. His programme includes talks with the Foreign and Commonwealth Secretary, the Secretary of State for Trade and Industry and the Financial Secretary to the Treasury, and meetings with representatives of industry. Mr Manescu has had a distinguished career. He was Prime Minister from 1974-1979 when he retired on grounds of ill health. Last year he returned to a position of influence in both State and Party hierarchies. A prominent economist, said to be advising President Ceausescu on the economy.

Romania: Internal Situation

2. Romania is the third most populous member of the Warsaw Pact after the USSR and Poland. Considerable natural resources but still relatively poor; standard of living almost the lowest in Europe.

3. Romania is a rigid dictatorship under the autocratic control of President Ceausescu, who is the subject of an intense personality cult. The regime relies ultimately on intimidation to maintain stability. At present no signs of coordinated opposition to the Ceausescu regime within Romania. But difficult to see how much further Ceausescu can go in reducing the standard of living (see para 11 below) and restricting the freedom of expression of ordinary Romanians without precipitating some sort of crisis.

Romania: Foreign Policy

4. For many years Romania has sought to pursue a relatively independent foreign policy. Romania fulfils its Warsaw Pact obligations minimally and grudgingly. The stationing of foreign troops on Romanian territory is not permitted and Romanian troops do not participate in Warsaw Pact exercises. Much is made by the Romanian propoganda machine of the alleged moderating role Romania has played at recent meetings of the Warsaw Pact. 'Peace' propoganda has become a central feature of President Ceausescu's personality cult.

5. Romania has made considerable efforts to cultivate China, Yugoslavia (a traditional friend) and non-aligned third world countries, and also to promote good relations with the West. It maintains relations with nearly all countries including Israel and Chile, but not with South Africa, Taiwan or the Republic of Korea. Ceausescu has maintained an ambitious, though ineffective, dialogue with all sides in the Middle East and recently received Mr Shamir, then Foreign Minister of Israel.

6. Romania's independent line has manifested itself in some criticism of the Soviet invasion of Afghanistan, and the Romanian press has taken a non-committal (not a slavishly pro-Soviet) line in their comments about the Korean airliner incident. Mr Manescu may be prepared to put forward the Romanian assessment of current Soviet objectives and priorities.

INF

7. Identical unsigned messages about INF from President Ceausescu to the Prime Minister were given to the Embassy in Bucharest on 21 August. Similar messages have gone to Mr Andropov, President Reagan and certain other Allied leaders. Ceausescu proposes that the US and the USSR should postpone deployment of new medium

range missiles, (meaning Pershing II, cruise missiles and any further SS20s), at least until the end of 1984. He also advocates the creation of nuclear weapon free zones in Europe. We remain sceptical about the value of such zones; they could still be targeted by weapons based well beyond their borders. Prime need is for reduction, not redistribution.

ECONOMIC ISSUES

8. The Romanian economy is in serious difficulty, owing largely to over-ambitious industrialisation and neglect of the potentially plentiful agricultural sector. Some progress is being achieved with the co-operation of Western creditors and the IMF. Romanian average incomes are the third lowest in Europe: on some definitions Romania qualifies as a developing country.

Rescheduling

9. A messy rescheduling of both officially guaranteed and commercial bank debt took place in 1982. (The bulk of the debt (90%) is owed to commercial banks.) Relief was 80% of the payments falling due, amounting to relief of some \$2.7bn in the year. A second round of debt reschedulings was agreed with Western governments and banks earlier this year. If all goes well, Romania may avoid a further rescheduling in 1984.

IMF and Government Stringency Measures

10. The IMF programmes for 1982 and 1983 secured more rapid economic adjustment than had been possible in 1981. The current account deficit was eliminated in 1982: and convertible currency trade surplus amounted to around \$1.5bn. In 1983 the current account is forecast to remain in surplus, but at a rather smaller level than in 1982.

11. The social cost of achieving external balance has been high. The sudden shift of resources into net exports hit the consumer hard: consumer goods are scarce; acute food shortages (particularly outside Bucharest) are common; energy supply cuts have been widespread and domestic energy conservation measures are enforced. Many underlying structural problems remain.

COMMERCIAL RELATIONS

12. Trade relations between the UK and Romania have been dominated by Romania's economic difficulties which culminated in the major rescheduling of 1981/82. Not all commercial debt is covered by these agreements and British firms are therefore reluctant to increase trade with Romania. Nevertheless, the bilateral trade balance has been comfortably in our favour for some time (aerospace exports are a contributory factor) and Romania could remain a useful market. UK exports to Romania were worth £115 million in 1982 while imports from Romania amounted to £51 million.

13. ROMBAC This project involves British Aerospace (BAe) and Rolls Royce in providing several completed BAC 1-11 aircraft followed by kits of parts which the Romanians assemble into completed aircraft. The original deal envisaged some 80 aircraft but only 2 Romanian-built planes have flown so far. Others are under construction but arrears of payments are building up. Romanians have asked for a slowdown in the programme: and BAe have warned the Romanians that unless arrears of payment are cleared they (BAe) may have to consider a reduction of their involvement. Decision to proceed with or amend the contracts is primarily a commercial judgement for the companies; but any decision to do so would have implications for ECGD (who would have substantial claims to meet in the event of termination) and for political relations between Romania and the UK (President Ceausescu takes a personal interest in the contract).

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BILATERAL ISSUES

Ministerial Visits

14. Despite insatiable Romanian appetite for ministerial high level visits we have fallen behind our major partners. Mr Rifkind visited Romania for bilateral consultations in October 1982. Forthcoming visits to the UK include Mr Duma (Deputy Foreign Minister) for political consultations with Mr Rifkind in November and a possible visit by Mr Pungan, Minister for Foreign Trade, in January 1984. The Romanians regularly press for a visit by the Foreign and Commonwealth Secretary: no firm commitment has yet been given.

State Visit to Romania

15. President Ceausescu's principal aim in relation to the United Kingdom is undoubtedly to secure a State Visit by The Queen in return for his own State Visit here in 1978.

Visit by the Prime Minister

16. During his visit in October 1981 the Romanian Foreign Minister invited the Prime Minister to visit Romania in the near future. The Prime Minister undertook to 'look at her diary'. Mr Manescu will probably repeat the invitation; this may be contained in a message from President Ceausescu which we understand Mr Manescu will be bringing with him.

Eastern European & Soviet Dept
Foreign and Commonwealth Office
21 September 1983

VWXAAU

MR INGHAM
MR JOCE
MR TAYLOR
MR KYDD
MR MURRAY
DETECTIVES
FRONT DOOR(2)

VISIT OF THE DEPUTY PRESIDENT OF THE
ROMANIAN STATE COUNCIL, MR MANEA MANESCU-
PHOTOCALL:

The Prime Minister will be meeting Mr Manescu tomorrow morning (Friday) for talks, There will be a photocall (venue still to be decided). Those attending from the news media at 0945 for 1000 hours will be:

COI ↘ Peter Boyce

NPA ↘ Peter Skinley (UPI)

M. L. FOULDS

22 SEPTEMBER 1983

M L FOULDS
Press Office

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

22 September 1983

Jan Ihan.

Visit of Romanian Vice President: UK/Romanian
Commercial Relations

In the light of the meeting which took place between the Secretary of State for Trade and Industry and Mr Manescu, DTI have thought it necessary to prepare additional briefing on UK/Romanian commercial relations in case the Romanians go into detail at the meeting with the Prime Minister on 23 September. I therefore enclose DTI's supplementary brief for use as appropriate at this meeting.

(R B Bone)
Private Secretary

A J Coles Esq
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U.S. DEPARTMENT OF JUSTICE

FEDERAL BUREAU OF INVESTIGATION

22 SEP 1988





CALL BY MR MANEA MANESCU: 23 SEPTEMBER 1983

SUPPLEMENTARY BRIEFING ON COMMERCIAL RELATIONS

POINTS TO MAKE

1. It would be misleading to encourage the Romanians to think much could now be done to improve access to the UK for steel, textiles, footwear and other sensitive products. The British industries in question still face great problems of adjustment. Romania should concentrate on areas where there is open access, including engineering goods, chemicals and electrical equipment. Romanian enterprises need to be competitive in terms of price, quality, delivery etc. Sustained marketing effort is called for. The Government is always ready to help with introductions and advice on how to approach the market.
2. We continue to encourage co-operation in third markets. The main need here is for Romanian enterprises to get into a sufficiently close relationship with British firms that this type of co-operation can prosper.
3. The UK takes a relatively liberal view towards imports of agricultural products although we have particular problems with a few sensitive horticultural items at particular times of the year. The UK is of course part of the European Community and it is possible that other member states would have much more difficulty over increased imports from Romania.
4. We see little chance of access for Romania to Community fishing areas at present. Fishing rights are major problems for the Community and our own industry is being forced to contract.

ESSENTIAL BACKGROUND

The Romanians are liable to go into detail, even at top level meetings. Mr Manescu raised with the Secretary of State for Trade and Industry on 20 September restraints on Romanian exports of steel plate, textiles, footwear and other sensitive products to the UK; improved access to our market for food and to Community waters for fishing. Emphasis has been placed on the imbalance of bilateral trade in the UK's favour of nearly \$ 350 million in the last 5 years.



While a large part of UK exports to Romania are products of the metallurgical and engineering industries, engineering goods only comprise 4 per cent of Romanian exports to the UK. The Romanians also want help from HMG in getting British firms to undertake joint ventures in developing countries.

Much of this ground was covered when the Prime Minister met the then Prime Minister of Romania on 13 April, 1981 and the answers are similar. In general we want the Romanians to avoid concentration on products which cause us difficulties (they can control their imports) and make an effort to compete here over the wide range of goods for which they have open access.