

Romania

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22 October 1980

Dear Julian

Thank you for your letter of 19 October and the enclosed notes on your conversations in Rumania last week. They were, as always, most interesting. I agree with you that President Ceausescu's comments on Poland are disturbing. We shall be following up the point about the NEI contract.

Yours ever,

Margaret

The Rt. Hon. Julian Amery, M.P.

LPO

FROM: THE RT. HON. JULIAN AMERY, M.P.



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19th October, 1980.

Confidential
Dear Margaret,

I was in Rumania last week from 14 - 18 October as the personal guest of Foreign Minister Stefan Andrej and enclose notes of my talks with him and with President Ceausescu.

My visit coincided with Cecil Parkinson's own visit as the guest of Mr. Burtika, the Deputy Prime Minister in charge of trade, and some aspects of the NEI contract now under discussion were mentioned to me. I accordingly also attach a note on these.

My general impression was that though my personal reception was friendlier than ever, the Rumanian leadership is trimming a little more towards the Moscow line than when I was there a year ago. *The President's comments on Poland are alarming.*

President Ceausescu asked me to convey his very best wishes to you.

I am copying this letter and its endosures to Peter Carrington and Francis Pym and the note on the NEI contract to Cecil Parkinson. You will see from this that I have been asked to put a definite proposition to you and will no doubt be considering how this should be handled.

Julian Amery
Julian Amery

The Rt.Hon. Mrs. Margaret Thatcher, M.P.



Note of a talk with Foreign Minister Stefan Andrej on 16th October held at the Foreign Ministry, Bucharest at 8.30 a.m.

Foreign Minister Stefan Andrej
Mr. Sandulescu

The Rt.Hon. Julian Amery, M.P.

Afghanistan

Mr. Andrej believed the problem could only be solved by direct negotiations between the Governments of Afghanistan, Pakistan and Iran. Mr. Barbrak Karmal was ready for such a negotiation but could not agree to negotiate with the Islamic Council as such. The Pakistanis for their part felt under an obligation to the Council. There was thus a procedural problem to be resolved. The ostensible subjects for negotiation would be recognition of the Afghan Government and the control of the frontiers.

But of course the main issue was the question of the withdrawal of the Soviet army. Mr. Andrej had understood from Mr. Gromyko that the Soviets would withdraw provided all help to the anti-government forces was stopped. The withdrawal would not be simultaneous with the termination of aid to the resistance but would follow reasonably soon afterwards. The Russians would accept a non-aligned Government but not an Islamic republic. The risk of contagion in their Central Asian republics would be too great. Mr. Amery suggested that it would be very difficult for a Socialist type government to maintain itself after all that had happened. Mr. Andrej said that the new government need not be a Socialist regime and the Russians probably realised that they had made a great mistake in encouraging the overthrow of President Daud. Mr. Amery said that Afghanistan however difficult to control was nevertheless a big prize for the Soviet military. Mr. Andrej agreed but thought that the army were in real trouble there. There was no one in the resistance with whom they could negotiate and no single organisation to defeat. He thought Mr. Breznev might be sincere in speaking of readiness to withdraw under certain conditions.

Iran/Iraq War

The Rumanians wanted to see an end to the fighting as soon as possible and to keep both the Soviet Union and the US out of the area. The longer the war went on the greater the likelihood of super power involvement. President Saddam Hussein had originally helped to overthrow the Khomeini regime and strengthen the influence of the military and President Bani Sadr. To some extent he had succeeded in this; but if Iran lost the war then the generals and Bani Sadr would be discredited.



Mr. Andrej discounted the likelihood of the Soviets trying to impose a Tashkent style agreement on Iran and Iraq. They were still remaining on the defensive but were increasingly inclined to believe that the Americans had decided to support Iran. President Carter's declaration in favour of the territorial integrity of Iran and his efforts to restrain King Hussein were indications of this. No doubt the possibility of securing the return of the hostages figures largely in President Carter's calculations.

The Palestinian problem

The Iraq/Iran war presented an urgent and real problem. It was about concrete international interests, namely the supply as well as the price of oil. By comparison the Palestinian problem was much less significant. The world had lived with it for quite a long time and could go on doing so for another year or two. Camp David, he said, should not be written off. It was essential to continue with the process until all the Israeli and Egyptian problems had been resolved and perhaps some concessions secured for the Palestinians on the West Bank and the Gaza. But a new framework would be needed for the next phase. It was not going to be easy to reach agreement on the West Bank with Mr. Begin but if Mr. Peres came to power he might be able to work for a solution with Jordan. He had spoken quite courageously on this subject but might prove more timid in office than in opposition.

Mr. Amery enquired about Mr. Arafat's position. Mr. Andrej said that Arafat did not exclude a federation with Jordan but wanted to negotiate it first with King Hussein on a footing of equality. He did not want to be subordinate to Hussein. On the other hand Arafat's prestige had suffered a good deal as a result of the Iran/Iraq war. It was not yet clear whether this would make him more extreme or more tractable.

At this point Mr. Andrej was summoned to the President and the meeting ended.



Note of a conversation with President Ceausescu on 16th October at the Office of the Central Committee of the Communist Party at 12 noon.

President Ceausescu
Mr. Pungam

The Rt.Hon. Julian Amery, M.P.

(Mr. Pungam is one of the President's closest advisers and trouble-shooters as well as a former Ambassador to London. He acted as interpreter although not trained for this, explaining that the President wished to speak particularly frankly.)

Zimbabwe

Mr. Amery began by recalling that at their meeting last year the President had said that, though a Marxist, Mugabe was independently minded and in no sense a Soviet agent - unlike Nkomo. It looked as if this judgement was well founded. The President said he had welcomed Mugabe's victory and believed we should find him someone we could work with though of course he faced great problems. The Rumanians had established an embassy in Salisbury but had no intention of trying to replace the British influence in Zimbabwe!

The Palestinian problem

It would be a mistake to write off Camp David. The process should be continued until all Egyptian and Israeli problems had been resolved. But a new framework would be needed to achieve an overall settlement. The participants should be Israel, Jordan, Syria and the PLO, the two super powers and perhaps some European representation. He thought Arafat was ready to join in such a process. So would the Syrians and probably King Hussein. He doubted whether Begin could be persuaded to agree and Peres, though much more flexible, remained strongly opposed to a Palestinian state. In any case there was nothing to be done about the Palestinian question until after the American elections and not perhaps for some months after that.

The Iran/Iraq War

The President said that the first priority must be to stop the fighting. He was satisfied that the Iraqis were ready to come to the Conference table and negotiate a settlement. They would be prepared to withdraw from occupied territories provided they could get satisfaction for their legitimate interests. They wanted to return to the pre 1975 position where the river was concerned. They also needed assurances that Teheran should stop trying to export the Islamic Revolution to the Iraqi/Shiite population. The President seemed convinced that the Americans were backing Iran and, like Mr. Andrej,



produced President Carter's declaration on the importance of the territorial integrity of Iran and his efforts to restrain King Hussein as evidence of this. No doubt Mr. Carter's main purpose was to secure the return of the hostages before the election date.

Afghanistan

The President wanted to see a meeting between Barbruk Karmal, President Zia and President Bani Sadr. He said he had sent representatives to look into conditions in Afghanistan carefully and was inclined to believe that Barbruk Karmal was establishing himself more successfully than was recognised in the West. Of course he had only got there by the grace of the Soviets; but he was becoming a political reality and had to be reckoned with as such. The first step was to get the parties to the conference table to discuss frontier problems and external intervention including the withdrawal of Soviet troops. Of course the Russians did not really want such a negotiation to take place at all but it should be our aim to oblige them to accept it and create a situation where they would find it difficult to avoid withdrawal.

Poland

Mr. Amery asked the President how he saw the situation in Poland. The President said that he regarded it as extremely serious. There had, of course, been some genuine economic causes of the recent troubles but these had been exploited by dissident intellectuals and by external forces notably the Roman Catholic Church. The Pope had known what was going on and should be very careful indeed.

The concept of free Trade Unions was unacceptable. There was no such thing as a free Trade Union. In West European countries nearly all the Trade Unions were affiliated to or linked with a political party. The free Trade Unions in Poland were in fact the Trade Unions of the Church. It was symptomatic that they had put the Christian Cross on their crest. It was quite intolerable that they should be pressing for religious education in the schools and religious propaganda on the media.

The Polish Government must put its own house in order. Otherwise others would do it for them and could not be blamed for doing so. Mr. Amery intervened to say that the President had been very critical of the other powers who had intervened to put the Czechoslovak house in order and overthrown Mr. Dubcek.



The President answered that the situation in Poland was quite different. The Dubcek experiment had been conducted within the framework of Socialism and, whatever one might think of it, was perfectly compatible with a Socialist system. What was going on in Poland was not a variant of Socialism but a challenge to the system as such. He had been in Czechoslovakia shortly before the invasion and was satisfied that Dubcek had never put the system in question. The Polish leaders had allowed just that to happen.

The Polish Government had the economic means to regain control of the situation and they had other means of doing so. If President Giscard D'Estaing could use the army to lift the strikers' blockade of the French ports, the Poles could take similar action. It would be much better that they should put their own house in order than to have it done for them.

The Warsaw Pact Communique - ? May 1980

Mr. Amery said he had read the last Warsaw Pact Communique very carefully. It seemed to suggest that the Soviet Union were seeking a new Summit Meeting of the great powers. Was it their intention to seek another Yalta agreement?

The President said that the Warsaw Pact Governments had envisaged a Summit meeting of all interested Heads of Government not just of the great powers. Of course not all the nations in the world would want to attend but all those concerned with particular problems. The communique had been amended to make it clear that this was the intention. Mr. Amery enquired whether the amendment had been made at Rumanian insistence. The President replied that it was a collective agreement but that the Rumanians would not have accepted the Communique unless the amendment had been made.

The idea of a meeting of Heads of Government of the major powers had emerged from Mr. Breznev's meeting with Mr. Giscard D'Estaing in Warsaw. But the President discounted the idea of another Yalta. The Soviets and the Americans would no doubt welcome one but you could not have a meeting of great powers without China; and he was convinced the Chinese would not attend. The Japanese, the French and the Germans would also have reservations.



From the
Minister for Trade

Romania

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The Rt Hon Julian Amery MP
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27 October 1980

Dear Mr Amery,

Thank you for your letter of 19 October. I read with great interest the note that you have sent to the Prime Minister reporting your discussions with President Ceausescu and his colleagues in the course of your recent visit to Romania.

The suggestion that HMG should consider supporting more favourable credit terms for UK exports to Romania is one that the Romanians miss no opportunity to press. It is, however, one on which there is no scope for negotiation. We are bound by international obligations which set agreed maxima for the credit terms eligible for official support in trade with all markets. These are more favourable for poorer countries but do not, on the objective basis used, recognise Romania as being amongst the most deserving. These arrangements operate reasonably effectively in containing international competition in the provision of Governmental support for export credits and it would not be in the UK's interests to contribute to their erosion by making, bilaterally, exceptions for particular countries. Since such exceptions would permit other countries to match the UK's terms in particular cases any advantage gained would be short-lived. Experience shows that the Romanians need no encouragement in using the 'system' to their maximum advantage. There are, too, budgetary considerations - official support for export credits is costly, increasingly so with improvements in the credit terms supported.

All this leads me to conclude that no useful purpose would be served by encouraging the visit to the UK proposed to you by Mr Pungam.

I am grateful to you for pressing NEI's cause in the course of your discussions with the Romanians. We continue to give them all the support we can in their efforts to win the Cernavoda contract in the face of the ever increasing demands made of them by the Romanians. Two ministers separately assured me during my visit that, in the NEI bid, our financial package was excellent. You will be interested to learn that the BAC 1-11 project - won by British Aerospace and Rolls Royce after very hard bargaining - is progressing well and that there is a good rapport between the British Aerospace advisers and the local workforce. This is an excellent example of the sort of long term co-operation that can be achieved between UK companies and the Romanians.



I too much enjoyed our talk at Brasov.

Yours sincerely,

Mattler *Emmanuel*

M.

CECIL PARKINSON

Approved by the Minister but
signed in his absence abroad.

File

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ROMANIA

29 October 1980

ROMANIA

Thank you for your letter of 27 October covering a draft reply to Mr. Amery on the question of credit terms for Romania. The Prime Minister has read your letter with interest, but has decided that there is no need for her to write further to Mr. Amery. All the relevant points seem to have been made in your Minister's earlier letter.

M. O'D. B. ALEXANDER

Matthew Cruickshank, Esq.,
Department of Trade.
(Cecil Parkinson's Office)

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From the
Minister for Trade's office

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Prime Minister
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Prime Minister

*Mr Parkinson has written to Mr Amery & there
is no need for a further letter from you. But
you may wish to be aware of the background.*

mt 27 October 1980 *Amey* -28/X

Dear Private Secretary,

As requested on the telephone, I attach a draft reply to Mr Amery's letter of 7 October (I am sorry but we do not have its date) to the Prime Minister reporting on various aspects of his recent visit to Romania.

The Romanians are past masters at pressing at every opportunity for more favourable credit terms for their imports of equipment from the UK. Because of our commitment to the Arrangement on Guidelines for Officially Supported Export Credits it would be against the UK's best interests to meet the Romanians' request. To do so would detract from the effectiveness of the Arrangement which, generally, works well in containing competition between Governments in the provision of support for export credits. In any case meeting the Romanians' request would enable our competitors to match the UK's terms in particular cases and so gain us no lasting advantage. That the Romanians need no encouragement to play the international system to their best advantage is well illustrated by NEI's long drawn out and increasingly difficult negotiations for the contract to supply the turbine generators required for the Cernavoda nuclear power station. It is worth mentioning that, during Mr Parkinson's recent visit to Romania, two Ministers separately assured him that our financial package for the NEI bid is excellent. Similar difficulties characterised the negotiations, eventually successful, for a co-operative venture for the construction of BAC 1-11 aircraft by the Romanians. Another compelling reason to decline the Romanians' request is cost - the more favourable the credit terms supported for a particular case the higher the cost to HMG in terms of the interest rate subsidy it provides.

Against this background my Minister sees no useful purpose in following up the Romanian suggestion that Mr Pungam should visit London to pursue this issue.

Yours sincerely,

Matthew Cruickshank

MATTHEW CRUICKSHANK
Private Secretary to the Minister
for Trade (CECIL PARKINSON)



Bi-lateral relations and the NEI contract

At the close of my meeting with President Ceausescu, I said that, in a troubled world, Anglo Romanian relations remained very good. The President said that they must be improved still further. I agreed and replied that the Romanians had won the football match the day before. I hoped Britain might win the NEI contract under discussion. The President smiled and said that in football one side has to beat the other but that in business the outcome of a match should be beneficial to both sides.

He then opened up a familiar theme that Romania was still a developing country, not one of the poorest by any means, but still deserving more favourable credit terms than at present received from Britain. He attached very great importance to this and urged me to put the idea personally to Mrs. Thatcher. It was something that deserved serious consideration at the highest level.

* * *

A few minutes after I had left the President, Mr. Pungam telephoned and invited himself to lunch. Much of our talk went over the same Middle East ground (Iraq/Iran War, Afghanistan, Palestinian problem) and seemed intended to make sure that I had understood the President's views correctly. Mr. Pungam then returned to the subject of giving Romania better credit terms. The President attached the greatest importance to this and urged that I should press the point with the British Prime Minister. It was a big subject and the President would send Mr. Pungam to London to discuss it with the appropriate British officials if this were agreeable to us.

I asked whether this proposal was linked with the NEI contract. Mr. Pungam said it was not specifically linked to any one particular contract but of course would apply to all important contracts.

* * *

Before leaving Bucharest I called on Vice President Nicolescu who is overlord on the financial and economic front. (The meeting took place at the Ministry of Finance at 8 p.m. on Friday, 17th October.)



After some general discussion of no particular significance, Mr. Nicolescu also raised the question of giving Romania more favourable credit terms than she at present received from Britain. He thought it very likely that Romania would buy the British technology, referring evidently though not specifically to the NEI contract. But the important thing was to establish long term cooperation. Modern technology was a long term business. Credit terms inevitably played a major part in promoting it and Britain should take a long view. It was true that Romania was not among the poorest countries but it was making great efforts to develop its own economy. There were also important political considerations. The Romanian Government had tried hard to take an independent line in Foreign Affairs and had cut back sharply on their military expenditure. These were realities which should not be overlooked.

DRAFT LETTER TO:



The Rt Hon Julian Amery MP
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ROMANIA

Rest of papers
with PM - this
draft not to issue

I was most interested to read the account of your recent visit to Romania enclosed with your letter of [] October. I am not surprised that the President and his colleagues took the opportunity to press on you their view that improved credit terms from the UK would enhance our prospects in their market. They miss no opportunity to plead this particular case.

The issue is, however, an extremely complicated one. We are committed along with other OECD members to the Arrangement on Guidelines for Officially Supported Exports Credits - the so-called Consensus - which aims to constrain competition between Governments in the provision of support for export credits. The tenacity, not to say aggression, with which the Romanians customarily pursue their negotiations with suppliers ensure that they obtain the best terms permissible under this Arrangement. Were we to meet their request for more favourable terms it would avail us little, if any, advantage as, by Consensus rules, other contenders for business bid for by the UK would be permitted to match our terms. Only the Romanians would gain - and at the extra cost to the UK involved in providing a larger subsidy in support of the export credit interest rate. In these circumstances I hope you will agree that there is little point in taking up this suggestion of a visit by Mr Pungam.



This is not to say that I do not share the Romanians' desire for greater co-operation between our countries. I understand from Cecil Parkinson that although winning the business was a long hard struggle, the co-operative venture under which the Romanians are to build BAC 1-11's is progressing well. But we must obviously look to our own interests. The tactics being pursued by the Romanians in their negotiation with NEI for the generating equipment required for the Cernavoda nuclear power station well illustrate the Romanians' devotion to theirs.

More generally your discussions there clearly made a valuable contribution to the furtherance of our good relations with Romania and I am most grateful to you for letting me have your views and comments.

MT

27 OCT 1980

