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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

9 May 1988

Yugoslavia/IMF

The Prime Minister has agreed to reply to Chancellor Kohl's recent message about Yugoslavia in the terms recommended by the Chancellor. I am sending the top copy to the Foreign and Commonwealth Office for despatch and enclose a copy for your records.

(CHARLES POWELL)

Alex Allan, Esq.,
HM Treasury.

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**PRIME MINISTER'S
PERSONAL MESSAGE**
SERIAL No. T67/88



10 DOWNING STREET
LONDON SW1A 2AA

SUBJECT ⁴¹ CC MINISTER
 ⁴¹ CC OPS

THE PRIME MINISTER

9 May 1988

Dear Helmut:

Thank you for your message about financial support for Yugoslavia. I share your concern that the Yugoslav economic recovery programme should be successfully implemented.

It is unfortunate that despite much pressure from Western governments, Yugoslavia has only recently concluded an agreement with the staff of the International Monetary Fund and signed a Letter of Intent. In the circumstances I am sure we would all have preferred to reserve judgement until we had been able to review the plan.

But it is already clear that a substantial IMF Stand By Arrangement will be needed, supported by generous Paris Club rescheduling. I can assure you that the United Kingdom will do its part to secure the success of both operations, though we shall be seeking evidence of firm Yugoslav commitment to the necessary domestic economic reforms.

In your message you also raised the question of preliminary financing. Since you wrote, the Bank of International Settlements has invited the Bank of England and other participating banks to take part in a bridging loan. I can confirm that the Bank of England has the Government's agreement to join in this operation.

Yours ever

Raymond

His Excellency Dr. Helmut Kohl

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c fro.
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