



C. Mr Powell

PM

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Room W38
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Dear David,

YUGOSLAVIA

I had lunch with the Yugoslav Ambassador yesterday. I found him very worried over the slippage in the BIS bridging loan and consequently the final approval of the IMF programme. He quoted the Prime Minister's words to Djuranovic that once agreement had been reached with the IMF on a stand-by arrangement the doors would be unlocked to a good deal of extra help. He said that he had the impression of foot dragging. He was concerned that the political price of the measures envisaged in Yugoslavia would become evident before it was possible to announce agreement on the financial arrangements.

I reassured him as best I could, but given US hesitation over their contribution and Treasury reservations on our line could go no further than saying we were still considering details of contributions with our international partners.

I find US behaviour baffling, given our earlier lectures to the Yugoslavs and the political as well as economic importance of the present deal going through. I also find our present line rather restrictive. It should be possible to say that we are ready to do our part but that we cannot act alone, so that if by mischance the deal falls through it will be clear it is through no fault of ours.

Yours truly

Percy Cradock
PERCY CRADOCK