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PRIME MINISTER

MEETING WITH THE YUGOSLAV

You are to see the Yugoslav Foreign Minister, Mr. Loncar, briefly tomorrow morning. His Ambassador has waged a formidable campaign to get him in, overcoming all the tank traps which I have set, and finally trumping me by approaching you direct over dinner at Windsor Castle. You have to hand it to him, he's earned his pension! But I hope you won't give Mr. Loncar too long, or I'll never be able to keep another Foreign Minister out.

Your last meeting with a Yugoslav was with the then President, Mr. Djuranovic, in March 1988. A note of the meeting is in the folder. At that time Yugoslavia was in a dreadful mess - but nothing to what it is now. All the problems which you discussed with Mr. Djuranovic have got worse. Their new Prime Minister, Mr. Markovic, has quite a good understanding of what needs to be done; but getting it done is quite another matter. They are back to the IMF for yet another arrangement and need a new rescheduling for \$20 billion of debt.

You will no doubt want to ask him to give an account of current problems and express sympathy with them - but on no account part with any money, because the chances of seeing it back are zilch.

There are also two bilateral problems:

- the Yugoslavs have still failed to settle our claims over the Zagreb air disaster in 1976; you ought to mention this;
- we suspect that the Yugoslav security services were responsible for the shooting of a Croatian emigré in Scotland. The trial of the chief suspect opened today. But this is better not raised.

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Mr. Loncar will probably invite you to pay a further visit to Yugoslavia. I can see no great merit in this at present and I think you should say that your travel plans would not permit it for the time being.

C.D.P.

(C. D. POWELL)

20 April 1989

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