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SUBJECT



JO VLB
Romania

10 DOWNING STREET

From the Private Secretary

20 October 1981

Kear Francis,

Call by the Romanian Foreign Minister

The Romanian Foreign Minister, Mr. Stefan Andrei, paid a brief courtesy call on the Prime Minister this morning. He was accompanied by the Romanian Ambassador in London, Mr. Gliga. Mr. Holmer was also present.

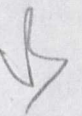
In the course of the initial exchange of courtesies, Mr. Andrei conveyed to the Prime Minister an invitation from President Ceausescu to pay a visit to Bucharest next year. When the Prime Minister said that she looked forward to visiting Bucharest again at some point but was not yet in a position to say when, Mr. Andrei reiterated his President's hope that the visit could take place next year. The Prime Minister undertook to "look at her diary".

The Prime Minister asked whether it was the case that Romania had been having difficulties with its agricultural production. Mr. Andrei acknowledged that this was the case and attributed the problems to a poor harvest this year and to the recent oil price rises. The latter factor had also had a damaging effect on the steel and aluminium industries. As a result a series of financial problems had been created for the Romanian Government. However, these were short term rather than long term. The Government had preferred to avoid seeking more Governmental credit and had instead opted for short-term commercial credit. Mr. Andrei expressed confidence that the problems to which he had referred would be resolved by 1983. The Prime Minister commented that when existing problems were solved, new problems invariably seemed to arise. Mr. Andrei acknowledged the point but said that his Government believed that more intensive exploitation of the country's huge methane gas reserves would prove helpful.

Turning to bilateral relations, Mr. Andrei commented on the difficulties which were being caused by the present imbalance in Anglo-Romanian trade. The relationship between Romania's imports from and exports to the United Kingdom was at present running against Romania by a factor of 3:1 (sic). If Romania was to continue to import from the United Kingdom

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at present levels, there had to be counter-balancing UK imports of Romanian products. Mr. Andrei also complained about the role played by the United Kingdom inside the European Community in the setting of quotas for the import of Romanian goods. The United Kingdom took a more restrictive line than her European partners. When the Prime Minister asked for an example, Mr. Andrei mentioned steel. The Prime Minister commented that the steel industry was a problem for the United Kingdom, for Europe and indeed for the world as a whole. 70,000 steel workers had lost their jobs in this country alone. We had to consider our own people. Mr. Andrei said that steel was merely an example. The problem was with the quota arrangements as a whole. The United Kingdom invariably argued for minimal quotas for Romanian imports. The Prime Minister said that she would be grateful to have further details.

Mr. Andrei said that Romania would also like to co-operate more closely with the United Kingdom in third country markets. He referred specifically to the contract which the Davy Consortium had recently won to build a steel mill in India. Would it not be possible for the Romanians to associate themselves with the Davy Consortium? The Prime Minister said that she thought it was too late to envisage this. The Davy Consortium had been negotiating with the Indians for two years and matters had already gone too far for any major changes to be made. Mr. Andrei appeared to accept the point.

Finally, there was a brief discussion of the situation in the Middle East in the after-math of President Sadat's assassination. Mr. Andrei said that assistance could most effectively be given to Mr. Mubarak by creating the prospect of a solution to the Arab/Israel dispute acceptable to all parties. It would be helpful if Israel could withdraw from the occupied territory in Sinai a month or two earlier than at present envisaged and if there could be a greater degree of mutual recognition between Israel and the Palestinians. The Prime Minister indicated that she agreed with Mr. Andrei's analysis. The difficulty was how to bring about the results he had advocated.

After Mr. Andrei's departure, the Prime Minister commented that the matters he had raised hardly seemed appropriate for a courtesy call on a Head of Government.

I am sending a copy of this letter to John Rhodes (Department of Trade).

John Rhodes

F. N. Richards, Esq.,
Foreign and Commonwealth Office.

Michael Alexander

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