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MEMORANDUM OF CONVERSATION

DATE AND TIME: August 4, 1975, 9:50 a.m.
PLACE: Federal Executive Council Bldg.,
Belgrade, Yugoslavia

SUBJECT:

PARTICIPANTS:

Yugoslavia

President Tito
Dr. Vladimir Bakaric, Vice President, SFRY Presidency
Edvard Kardelj, Member, SFRY Presidency
Dzemal Bijedic, President, Federal Executive Council
Milos, Minic, Vice President, Federal Executive Council,
and Federal Secretary for Foreign Affairs
Dimce Belovski, Member, Council of the Federation
Lazar Mojsov, Deputy Federal Secretary for Foreign
Affairs
Toma Granfil, Ambassador to the United States
Aleksandar Sokorac, Chief of Cabinet of the President
of the Republic
Nikola Milicevic, Assistant Federal Secretary for
Foreign Affairs
Andjelko Blazevic, Foreign Policy Adviser to the
President of the Republic
Svetozar Starcevic, Director for the North American
Department, Federal Secretariat for Foreign
Affairs

U.S.

The President
The Secretary of State
Ambassador Silberman
Counselor to the President Hartmann
Press Secretary to the President Nessen
Lt. General Scowcroft
Deputy Assistant to the President Cheney
Counselor Sonnenfeldt
Arthur Hartman, Assistant Secretary for
European Affairs

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DECLASSIFIED

E.O. 12958, Sec. 3.5

State Dept. Guidelines, State Dev. Cas 3/10/84
By llh, NARA, Date 5/24/84

EUR:AAHartman/gw

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Tito: What kind of tree did you plant?

The President: It was a Colorado pine and I was helped by the Secretary of State, my son and the Secretary's son. Us old men need young people to help us. I felt that way even more this morning when I went out for a swim. The water was very cold but that is a beautiful pool that you have.

Tito: We can now resume our talks. What priority do you want to give to the issues?

The President: Secretary Kissinger has brought to my attention a very shocking situation which is of deep concern to all of us and I would like to have him tell you about it.

The Secretary: This concerns an act of terrorism. The Japanese Red Army has taken some 40 American citizens and 3 Swedes and captured them. They are demanding the release of 7 Japanese terrorists in Japan. Our position is, as it has always been, that we refuse to negotiate and to pay ransom in these cases. We do this in order not to encourage the capture of other Americans for the same purpose. We refuse to discuss the case with anyone. In Tanzania one of our Ambassadors violated this rule and he will now be released. The American Government will always refuse to negotiate because that is the only way we can keep demands from being made upon us.

Tito: How many Japanese are there?

The Secretary: Seven, and they have a machine gun. They all seem to be on one floor and they fire the gun from time to time. The Japanese

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have asked for an airline plane to take the prisoners from Japan and then to come to Kuala Lumpur and pick up the terrorists. They've extended the deadline twice now and it's due to come up again at 10:30 this morning our time.

The President: It's our strong feeling that if we were to breach this hard line that we take there would be no end to the demands being made upon us. We have to be tough and that is right in the long run.

Tito: There seem to be a large number of people involved and, of course, this kind of terrorist is ready for suicide.

The President: Yes, they are sort of kamikazes.

The Secretary: These Japanese are the same ones responsible for the Tel Aviv killings.

The President: If we could move on to the Middle East in which we both have a deep interest, I would like to make a general comment. Because of your interests and the impact that Yugoslavia can make in the situation I would like to fill you in on our thinking and also to hear your views.

We are convinced that if a stalemate continues, war is inevitable in the Middle East and this time it will be bloodier, more costly and could involve a confrontation between the United States and the Soviet Union. All of this could be avoided if we could make progress toward a solution on the basis of UN Resolutions 242 and 338. What we need is to have some time and this is why we have been in favor of an interim settlement. This is not an easy question and we

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have spent a lot of time trying to see whether we can successfully pursue these negotiations. If they break down we face other prospects which would not be good for the world or for the Middle East.

Tito:

Our opinion is that the possibility for progress lies with Israel because Israel has not complied with the UN Resolutions which you mentioned, 242 and 338. We had hoped that some results would be achieved from your step by step negotiations--those carried on by Secretary Kissinger. But only one step has been achieved. Now we seem to be in a stalemate. We think that Israel shouldn't be allowed to do as it wishes.

We think that Israeli behavior has brought about all this talk of the possibility of expulsion from the UN. It would be a very unhappy development for the UN. It would be bad for the UN and it would bring divisions in the non-aligned world. But Israel continues to violate the will of others and therefore we think more pressure should be put on Israel.

In Kampala there was a moderate resolution that was finally passed but there is growing pressure to expel Israel from the UN. Divisions appeared at Kampala. Ghana and Zaire both wanted a more moderate resolution and they were successful but it does show what happens if Israel doesn't change its position--how it can bring about division in the non-aligned world. Sadat was even against the more radical Arab suggestions.

You are quite right, we are very much interested in this problem. We have always tried to find a solution. We have exchanged visits with Egypt. I have gone

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there and they have come here. We always have tried to find a peaceful solution to this problem.

I have had several conversations with Naom Goldman, the head of the World Jewish Congress. He is much more realistic and he looks much farther ahead.

One has to look to the future. One has to look ten or 15 years ahead when the Arabs will be completely armed; there will be 150 million of them against only 5 or 6 million Israelis. Under such conditions the Arabs might be tempted to do what they threatened to do years ago, that is, to throw Israel into the sea. As a general principle, aggression should not pay. And the country that commits aggression should suffer the consequences.

I went to Egypt in 1967. Kardelj was with me and we met with Nasser. I said to him that Israel is a reality and it should be recognized. It is a member of the United Nations. I said there was no way for the Arabs to throw Israel into the sea. They didn't like what I said. They kept silent. But the next day, Nasser said--you are right.

I know it is very difficult for Iraq and Syria with the Palestinian situation the way it is but Israel must withdraw and in return it must be recognized as a fact, as a State. As I told Goldman, Israel is a highly developed country that could help its neighbors in peace. Goldman agreed. I'm aware that you can't do these things over night but each step should not take ten years.

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The President: In my meeting with Sadat, I got the impression that you have given--that the Arabs are now in a position to recognize Israel. It would be a major step.

I look forward to meeting Asad. I have a very favorable impression of him. He seems to be a leader who is willing to be constructive.

We have spent a maximum time trying to convince all of the Arab leaders that a move must come and now we are working on Israel. We are in favor of a step forward now but later we recognize that there must be a general settlement.

It is of great concern to us that there not be abrupt action in the United Nations. All it would do would be to make Israel a martyr and disturb progress toward a solution. I have sought this solution with all my power and, therefore, I hope that it will be possible for you to urge moderation, particularly before the meeting in Lima.

There are good prospects that a step forward can be reached and that this will be a move toward a final negotiation. I think on the basis of what I know of Sadat's attitude and the attitude of Israel that we will be able to take another step. We are prepared to put on significant, very significant, pressure to achieve this.

Tito: I read in today's paper that the international meeting of socialists in Stockholm has adopted a resolution which seems to be very protective of Israel. It seems to me that these unilateral positions do not help. There is no question of protecting

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Israel or expelling Israel. The two things go together.

The President: Our position on the UN has to be well spelled-out. We are dedicated to the UN. We put a lot of money and time into that organization. But it cannot be organized and controlled by blocs. The Secretary has made a very good speech on the subject in Milwaukee and that is the position of our Government.

In the meantime, it is Israel's responsibility to make progress within the framework of the UN Resolutions. We don't wish Israel to be expelled. And if I may add a postscript to what I have said. If there is no progress, I mentioned at the outset the probability of conflict--perhaps of an oil embargo. The repercussions would be world-wide and indeed the underdeveloped countries would suffer even more but it would also jeopardize economic recovery of the United States. If that were to happen, our capabilities of helping others would certainly be undermined.

Therefore, it is a matter of maximum importance to avoid these consequences and bring the countries together in the manner that I described. You might be interested in some of the Secretary's observations because he has spent a great deal of time and effort in working on the situation. Therefore, some intimate observations by him might be helpful.

Tito: Yes.

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The Secretary: The present outline of our basic approach is that getting together a meeting of all the parties to discuss all the issues would play into the hands of those Israelis who do not wish to have any progress. Just as an example, if the Palestinian issue were raised first, it could easily hang things up six months or more. Then we would be in the United States in a re-election period. The stage when all these issues have to be discussed will come, but it is not yet here.

The most important problem is to avoid backward movement. If we can get Israel to bring about some progress, it would help in this negotiation in an important psychological way. This is why we would like to deal with one issue at a time. This way we can avoid delay even though that is what some Israelis are trying to develop as a tactic.

On another question, Syria seems to think that we are trying to split the Arabs. I have great personal affection for Asad. He is a real man but the only way that we can help to make progress on Syria is that we must take a step first with Egypt and once progress is made, then we can move elsewhere. That is our policy.

Right now we think that the negotiations can succeed because we have a strong Presidential position. People don't take Secretaries of State seriously but they do take the President seriously and it is his personal intervention with Israel that has enabled us to get propositions from Israel that we feel now meet the basic demands of Sadat for the first time. But there still are an enormous number of

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details and, of course, the Israelis are not known for their excessive generosity in these matters. But we have established certain principles and we feel that there is a chance to finish by the end of August. Once we can get that kind of agreement then we can turn to the Syrian problem. After that, we can move to an overall solution.

On the Israeli side, their strategy is that they are much more comfortable with the radical Arab leaders than with the moderates. If the Arabs are anti-American and pro-Soviet then the Israelis feel that they can appeal to the groups in the United States that are anti-Soviet and that, therefore, they have a better chance of getting their positions accepted.

It is very important for you, Mr. President, to influence the Arabs to keep on a moderate course. It is in their own interest to continue a policy of moderation that they have been pursuing. This has already had a beneficial effect on American policy which is now fully engaged in an even-handed way. The objective conditions are not here yet for an overall solution which is what President Tito wants but we must continue the moderate position and curb some of the Arab desire for epic cavalry charges. It is in this sense that the UN issue is a major problem. If Israel is suspended, all support will go toward Israel in the United States and the Israelis will come to us and ask--how can we rely on UN forces to police a settlement when we are not even in the United Nations. We do think that we do have a chance to make progress and that is what we are trying to do now.

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Tito:

Our Minister for Foreign Affairs Minic will go to Lima. His position will not be easy but he will do what he can. But if one wants to be against something one needs arguments. We are aware of the consequences and we are against having Israel thrown out of the UN. It would be a very unhappy situation. I have great confidence that extreme measures will not be applied. But there are other intermediate measures. We are not against sanctions. You should try to convince Israel because in this matter they are very short-sighted.

The Secretary:

But if I go to the Middle East before the non-aligned meeting in Lima, you can assume that there is a great chance that we are assured of success. Because the President has said to me that I must not go to the Middle East again unless we are 90 percent assured of success. You could be very helpful in convincing the Syrians that we are not interested in splitting the Arabs. We had no contact with the Arab world for ten years. We certainly don't want to move them back toward radicalism. We want them to continue to be moderate. It is in our own self-interest to make them even more moderate and we certainly don't want to isolate either the Syrians or the Algerians and you can help us convince them of that. It is in our own self-interest. We have a very high regard and good relations with Boumediene and these are in fact better relations than might be indicated by our respective public statements. I hope that Mr. Minic will try to convey these views for us. In any case, we will speak directly to the Algerians. If I go to the Middle East, I will try to stop in Algiers. We have good relations with him. He is a strong and thoughtful man.

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Minic: Yes. He is a very good man.

The Secretary: His trouble on economic issues at any rate is that he cannot take "yes" for an answer.

The President: I would like to add in conclusion that we are interested in strengthening the forces of peace and that we know that we must work together to do this. But we cannot do it all. We can't solve the Middle East problem alone. Our cooperation is crucial and we want to have a broadened ability to help the less-developed countries, the non-aligned and all those who want peace.

Tito: Are there any comments from my Ministers?

Minic: If I may ask a question, what do you, Mr. President, and the Secretary, think will happen if there is no success? You mentioned war but what other ideas apart from your efforts do you have?

The President: If we fail in our current efforts we will have to proceed with our reassessment. One possibility is that we will move to Geneva and advocate a broad settlement even though we know that that is a less desirable course of action. But it might temporarily help to avoid a conflict but for the moment we strongly feel that a step-by-step policy is superior.

The Secretary: That is the reason that we have been reluctant to go to Geneva right away. The Arabs must ask for the PLO to be included and that could lead to a deadlock that might last for months. Also, those who know Arabs feel that, with four groups of them in the room, the oratory would not exactly be calm. It would play into the

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hands of the Israeli strategy for delay. The President would find it difficult to be effective in an election period but we are definitely committed to go to Geneva at some point. It is just a question of timing to use our action to the maximum effect.

Tito: Should present efforts fail, you suggest Geneva. Would you go with the Soviets?

The President: The Secretary has had recent talks with Gromyko on this. He could discuss it.

The Secretary: The basic strategy of the Soviets is to take credit for our actions. But at the right moment, in any case, we will have to go to Geneva. If we fail, we will also have to go to Geneva and then put our ideas forward for an overall settlement. We will not, however, go there as the lawyer for one party.

Minic: Would the Soviets accept to go if the present efforts fail?

The Secretary: They would happily go to Geneva. But their capacity to produce anything is very limited. They would go together with us if our efforts fail. Even then, it depends on what we can do with the Israelis. For the President of the United States this is a domestic problem. What we want is permanent peace, withdrawal and guarantees on all fronts. That is our basic position.

The President: If we go to Geneva and put a broad proposal forward and then get in a brawl about the PLO, it could actually lead further toward UN expulsion. The domestic problems in the United States would become monumental.

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The Secretary: Beside we have no intention of failing. The President is not as gentle as he appears in his behavior.

The President: I show my true nature with my old friends in Congress. Speaking of Congress you have a good delegation coming here with the Speaker of the House. They have great respect for you and Yugoslavia. I think it would be useful for you to have a frank discussion with them and give them your analysis of the Middle East situation. That would be very helpful to us.

Tito: I would be glad to do that.

The President: The Speaker is third in line for succession.

The Secretary: The President is always extremely nervous when he (Albert) moves up (to second place) as has happened two times before.

The President: I might say that, back in the times when I used to talk to John Foster Dulles, he told me of the excellent relations we had with Yugoslavia on the question of arms sales. I realize that there may be some people in the bureaucracy who have not given the proper attention and expedited the request that you have made but when I get back I will give this my personal attention and I can assure you that the matter will be resolved.

Tito: We have bureaucrats on both sides. It was very good of you to raise the question because that saved me the trouble of raising it.

The President: I can speak very frankly about bureaucrats.

Tito: I cannot because my Prime Minister is here.

Kardelj: I wonder if I could add a point about the economic situation. Yugoslavia has moved on now from the stage of being a less-developed country. It has great need for capital because it is still developing. We believe that the greatest source of capital can come from the United States. We want to have a larger connection of American capital to our industry. In industry, agriculture, technology, know-how, we would like to get more from the United States. Although our systems differ, we have a system that enables us to use both public and private groups to work to build our country. We are preparing a new law on investment which will make things easier for investors from abroad. But we notice that there is still mistrust in certain American circles. It would be good for the United States Administration to support this effort more to help to create an atmosphere under which trust can be developed in this cooperation.

The President: I have been very impressed by what I have seen and I understand that American industry and capital have been very well received here in Yugoslavia and have achieved many successes. This has certainly strengthened our ties. If there are special areas of particular interest on the industrial side, I would be glad to get into this matter, as I have already said I will get into the matter of military hardware.

I should add to what I said earlier that the capacity of American industry depends on our own economic strength. We have been

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in a serious economic recession over the past six to eight months but by firm policies we have started to recover in a constructive way. We are well ahead of other major developed countries in our recovery. But any outside impact, such as an oil embargo, would severely affect our ability to recover from recession and that could set us back six months to a year or longer. We want to expand our relations throughout the world and to do this we need a healthy American economy.

Minic:

If we want to improve the economy, we also need to have better cooperation between developed countries and less-developed countries. That is why we are very interested in the Seventh UN Special Session. We know that the United States will play a key role and indeed the outcome will depend in large part on the position of the United States. If I can ask a question I would like to hear what your attitude is going to be on relations between developed countries and less-developed countries, especially since the United States had reservations about the way the Sixth Session went.

We have a very serious and explosive situation. Thirty to forty less-developed countries are in a catastrophic economic situation. According to the GATT, there is a 30 to 40 billion dollar deficit on the trade account for the LDCC. This is a problem that concerns the whole world. We expect to have a harsh debate in the UN and you will need to have patience. One of the things that concerns me is that, as I understand, there has not even been an agreement yet on the agenda for the meeting.

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The President: We will go to the UN session with a very constructive attitude. The Secretary will go there and indicate our attitude. In the history of the United States in the post war period--during my whole term in the Congress since 1949--we have been sympathetic and we have provided leadership in helping the less-developed countries. We have world-wide relations and bilateral relations. The present crisis is not our fault. It is due to the extreme increase in oil prices. We want to work to avoid a catastrophe. The Secretary will have a constructive attitude. We recognize the realities we find in the world today.

Minic: It is also fair to say that inflation has played a role in the basic economic problems of our world.

The Secretary: The basic issue is--are we going to have another ideological confrontation and no practical results? If we defend the existing system and you say the "new economic order" is better, we will accomplish nothing. I have made a tremendous effort and we are telling all of our people to stop defending the economic system.

We want to get down to special cases and see whether we can't make progress. We will make specific proposals on energy, raw materials, financing, and development designed to even out the fluctuations in our economic trends. We are not in favor of price stabilization schemes. We are in favor, instead, of income stabilization which would allow a certain amount of price fluctuation to occur. We think that price stabilization schemes would benefit mainly countries like the United States and the

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Soviet Union who are raw material producers. But income stabilization would help the least developed countries.

Minic:

As far as we know the less-developed countries do not intend to have a philosophical debate on the new economic order. They intend to raise, however, their special problems but I am worried that it is impossible to reach an agreement even on the agenda. The "Seventy-Seven" have put forward the following list of things to be discussed: trade in raw materials; trade in industrial products; monetary problems; technology problems; and changes in the structure of the United Nations to deal with development. Your delegation has added "food" and "the problems of the most seriously affected countries (MSA)." We have been wondering why there is already a tense atmosphere on the agenda and we hope that you Americans will help to make progress in this session.

The Secretary:

I have not followed in detail the question of negotiations about the agenda but I can tell you that we will have a constructive attitude. We'll also support the consumer-producer dialogue and we feel that, while the UN session can discuss policy issues, we can get down to specific negotiations in the three or four commissions set up under the Energy Conference. These commissions would be on energy, raw materials, development and finance.

Tito:

I would also like to have a discussion on the relations between the United States and the non-aligned world but I guess we do not have time now. I would like to see how we can establish contact. Maybe you and Mr. Minic can discuss this in the car.

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The Secretary: That is an excellent idea. We certainly do lack this kind of contact.

The meeting ended at 11:30 a.m.

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