THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Janez Drnovsek of
                            Yugoslavia

PARTICIPANTS: The President
                            James A. Baker, Secretary of State
                            John H. Sununu, Chief of Staff
                            Brent Scowcroft,
                               Assistant to the President for National
                               Security Affairs
                            Robert D. Blackwill, Special Assistant to the
                               President for European and Soviet Affairs

                            Janez Drnovsek, President
                            Budimir Loncar, Foreign Minister
                            Dragoslav Pejic, Permanent Representative
                               to the United Nations

DATE, TIME   September 25, 1989, 8:30 - 8:35 p.m. EDT
AND PLACE: Grand Foyer, Metropolitan Museum of Art,
                            New York

The President met briefly with President Drnovsek during the
President's reception for Heads of Delegation, Permanent
Representatives and spouses, on the occasion of the 44th Session
of the United Nations General Assembly.

The President: How long will you be in the U.S.?

President Drnovsek: We are leaving tomorrow. There are problems
in Yugoslavia to attend to.

The President: Are these on the financial side or the political?

President Drnovsek: We try to do our best on the economic side
but face real difficulties. We want a market-oriented economy,
but the problem is that inflation is running at 30% per month.
We are putting more emphasis on the private sector, introducing a
stock exchange, and completely reforming the financial
institutions. It is difficult to do everything, especially with
so many social problems.

The President: Is unemployment bad?

President Drnovsek: It is uneven around the country. The
average is 15%.

<u>The President</u>: With Larry Eagleburger and Brent Scowcroft, there is a special desire to have strong ties with your country. We will try.

<u>President Drnovsek</u>: Can the Brady Plan be applied to Yugoslavia?

<u>The President</u>: In terms of concept, we are for that and are trying to get the banks involved to help work these matters out. I will check with Secretary Brady. The concept is much broader than Latin America; it needs to be world-wide.

--End of Conversation--