

PART 1.

Confidential File

UK/Hungarian Relations

HUNGAR

February 1981

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
2-3-81		28.1.84					
23-4-81		F ENDS →					
14-10-81		<p>PREM 19/1271</p>					
5-11-81							
19-11-81							
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28-3-83							
12-4-83							
15-9-83							
22-12-83							
18-1-84							
24-1-84							
26-1-84							

PART 1 ends:-

AJC to N Cantwright : 28.1.84.

PART 2 begins:-

FCO to AJC 1.2.84

TO BE RETAINED AS TOP ENCLOSURE

Cabinet / Cabinet Committee Documents

Reference	Date
CC(83) 27 th Meeting, item 1	15/09/1983

The documents listed above, which were enclosed on this file, have been removed and destroyed. Such documents are the responsibility of the Cabinet Office. When released they are available in the appropriate CAB (CABINET OFFICE) CLASSES

Signed J. Gray

Date 20/9/2013

PREM Records Team

International Monetary Fund Document

The International Monetary Fund (IMF) document which was enclosed on this file has been removed and destroyed.

Such documents are the responsibility of the IMF and as the originators they reserve ownership of the documents they issue. All enquiries should be addressed to the IMF.

Document Reference: SM/83/261

Document Title: Hungarian People's Republic – Recent Economic Developments

Document Date: 28 December 1983

Destruction Date: 20 September 2013

Signed J. Gray

Date 20/9/2013

PREM Records Team



File

cc: FCO

R07

10 DOWNING STREET

From the Private Secretary

28 January, 1984

Thank you for your letter of 17 January to the Prime Minister about her visit to Hungary. I will see that your interests are brought to her attention.

The Prime Minister will indeed be speaking on behalf of British industry to the Hungarians. We hope that this will lead to further business for British companies.

A. J. COLES

N. Cartwright, Esq.

ls



10 DOWNING STREET

From the Principal Private Secretary

28 January, 1984.

I am writing to thank you for taking the trouble to send me your letter of 26 January, and the material from Brigadier Michael Harbottle. I am sure that this will be of great interest to the Prime Minister: the scope for cooperation in pursuit of peace between countries with different philosophies and alliances will be a central theme of her visit to Hungary.

E. E. R. BUTLER

Clive Priestley, Esq., C.B.

CONFIDENTIAL

pm's set



Foreign and Commonwealth Office

London SW1A 2AH

26 January 1984

Dear John

Prime Minister's Visit to Hungary

I attach four sets of briefs^{*} for the Prime Minister's visit to Hungary from 2-4 February which you asked for by 27 January. The Prime Minister's set includes photographs of Mr Kadar, Prime Minister Lazar and President Losoncz.

We have further sets available should you require them.

Yours ever

Peter Ricketts

(P F Ricketts)
Private Secretary

* Copy in ~~attached~~ folder attached to Pt 2.

A J Coles Esq
10 Downing Street

Clive Priestley CB
Director of Special ProjectsF E R Butler Esq
Principal Private Secretary
to the Prime Minister and First Lord
of the Treasury
10 Downing St
LONDON SW1

CP/670

26 January 1984

Dear Robin,

1 The purpose of this letter is to offer a modest addition to the brief for the impending visit to Hungary.

2 I enclose a copy letter from Brigadier Michael Harbottle who, apart from being Director of the Centre for International Peacebuilding, is a friend and neighbour of mine; we spent some years recently as the two Churchwardens of St Mark's Church, Hamilton Terrace, in St John's Wood. Michael is an ex-regular soldier. He was in the Ox and Bucks Light Infantry to begin with, being severely wounded during the war. Subsequently he commanded the 1st Royal Green Jackets, but got into the "peace" business as a result of being Chief of Staff for the UN Peacekeeping Force in Cyprus in the late '60s. The Centre, one of whose consultants is Sir Laurens van der Post, is not in the unilateral disarmament business, but is one of the bodies trying to build up confidence between nations through joint projects, as well as writing and talking.

3 Michael Harbottle thinks, and I agree, that the Prime Minister might like to know about the "conductive education" and "environment" projects described in his letter. Of those two, I suspect that the Prime Minister will have a more immediate interest in "conductive education", which is a field in which the Hungarians have done some pioneering and successful work for severely disabled and brain-damaged children. The plot here is to try and set up a school which would use and develop the methods pioneered by the Hungarians under the late Professor Andreas Peto. This is more fully explained in Annex A to Michael Harbottle's letter; I am not sending you his other enclosures apart from a leaflet on the Centre itself.

4 I hope the visit goes well; please do not give yourself the trouble of replying to this letter.

*Yours ever,**Clive*ENCs: Copy letter from Brigadier M N Harbottle
Annex A to copy letter
Leaflet on the Centre for International Peacebuilding

CENTRE FOR INTERNATIONAL PEACEBUILDING

Southbank House, Black Prince Road

Lambeth, London SE1 7SJ

Tel: 01-735 8171

Telex: 285555 LSP-G

12 January 1984

Director:
Brigadier
Michael Harbottle, OBE

Deputy Director:
Sir John Whitmore, Bt.

Financial & Planning
Adviser:
John N. Pugliese (USA)

Board of Management:
Mrs. Caroline Gourlay
Dr. Alex Poteliakhoff
Canon Kenyon Wright

Consultants:
Dr. Frank Barnaby
Robert Blackburn
Dr. Helen Caldicott
(Australia)

Lord Caradon of St. Cleer,
PC, GCMG, KCVO, OBE
Dr. Rodrigo Carazo
(Costa Rica)

Dr. William Davidson
(USA)

Jonathan Dimpleby
James Fawcett
Prof. John Ferguson
Rev. Dr. Kenneth Greet
Prof. William Gutteridge
Sean McBride (Eire)
Generaalmajor

M. H. von Meyenfeldt
(Netherlands)
Gerard Morgan- Grenville
Professor Josef Rotblat
Anthony Sampson
Mark Stephens
Harford Thomas
Mrs. Inga Thorsson
(Sweden)

Sir Laurens van der Post
Amb. Taylor Belcher
(ret) USA

Donald Swann

** Mrs. Eileen Noakes
Air Cdr. A.C.L. Mackie
(ret)

Clive Priestley CBE
67 Marlborough Place
London NW8

Dear Clive

26.1.84
You will recall our promise to you on Christmas Eve to send you details of the work we are planning in our Centre for International Peacebuilding, particularly at a time when the Prime Minister is planning her visit to Hungary.

A brief synopsis of the projects we are presently developing is given in Annex C. attached. But since the project on Conductive Education has an immediate relevance to the Prime Minister's visit, I will mention it first.

A. CONDUCTIVE EDUCATION: Background and details are given in Annex A, and the up to date situation is as follows :-

- (1) Premises for a 4-year project, under the direction of Andrew Sutton of the Department of Child Psychology, Birmingham University, have been promised at Westhill College, Selly Oak, Birmingham.
- (2) The City of Birmingham Education Committee have expressed their warm support for Sutton's plans, and also for exchanges between practitioners, academics and local authority representatives.
- (3) The Peto Institute for Conductive Education, Budapest is also very keen to see the project proceed. We ourselves have received a warm endorsement for this and other such initiatives from the Hungarian Peace Committee.
- (4) Sutton now proposes to lead a 4-person team to Budapest to make a feasibility study and to see for themselves the work being done at the Peto Institute. Other members of this team, we understand, will be Veronica Nanton, a speech therapist who has worked with him for some time and was sponsored by the British Council to attend a study course at the Peto Institute in Budapest last September, and hopefully, Professor Howard of Nottingham University who is also President of the British Psychological Society (or someone of equal academic standing).

Following an initial period of 10 days or so, Sutton would like to see two representatives of the Birmingham City Council join the team so that they too may see the possibilities and practicalities of this project, insofar as the City of Birmingham is concerned.

/ (5) Finance ...

(5) Finance Sutton is now seeking some £2-3,000 to cover the costs of this trip for the six people concerned, for their air fares and daily maintenance etc. Now that their plans have progressed thus far, we also will try to raise funds for this whole project through charitable sources.

B. THE ENVIRONMENT PROJECT: (See Annex B.)

We are receiving a great deal of support for our suggestions for working together on environmental issues in particular, practical ways that will bring people together, nationally and internationally, especially young people who are seeing their future chances of survival with increasing despair. They, in common with many older people, are seeking practical and positive things to do which they can see make sense in contributing to better international relations and understanding. In this regard, it is interesting to note that the United Nations has recently initiated a tree planting campaign and are welcoming the collaboration of as many groups as possible in it.

→ Increasingly, there is the perceived need among the big national environmental organisations to take a holistic view of the state of the planet. Our role here at the Centre is to facilitate international collaboration, and here again, we have had our ideas welcomed by the Department of International Relations of the Hungarian National Authority for Environment Protection and Nature Conservation.

→ You can therefore see that the planned visit to Hungary of the Prime Minister is of immense interest and importance to us. We are delighted that she is taking this initiative as a European leader to create the kind of human contacts which are so badly needed at governmental level. We wish her every success and we believe that her presence in Hungary will also help the efforts of many others at professional and church levels to increase international understanding and general trust and goodwill.

Sincerely,
Michael

Michael Harbottle
Director

PROJECT : CONFIDENCE BUILDING & CONDUCTIVE EDUCATION

OBJECT: Conductive Education, very briefly, lies in the correlation between the intellect and physical movement to enable severely disabled (spina bifida, spastic, brain damage) to overcome their disabilities and take their place in normal society.

It is a process originally developed in Hungary after World War 2 by the late Professor Andreas Peto, at a time when expensive aids were beyond the means of most Hungarians but, more importantly, when he was influenced by Soviet psychologists Viigotski and Luria in "rescuing" children whom society considered medically irredeemable. With infinite patience, stringent discipline, but also love in its truest sense, spina bifida children at the Peto Institute in Budapest are trained in their bowel and bladder control, spastic children to walk and use normal school apparatus, in a way that has frankly astonished foreign visitors.

Conductive Education has been practised in Britain, Japan, Australia, Canada and the USA, but always governed by the personal inclinations of individual therapists for the simple reason that very little has been written on this methodology outside Hungary, nor has there been any medical analysis and assessment of either its techniques or their achievement.

A small team of British practitioners, led by Andrew Sutton, a psychologist from the Department of Child Psychology of Birmingham University, now wishes to conduct a*three year project in the West Midlands. Their experience with Conductive Education over a number of years has been highly successful. Indeed, they have no doubts as to its potential in helping severely disabled children to lead normal lives. They have been given permission to set up their independent unit in Westhill College, Selly Oak, and they have the approval of the local Health and Education authorities in their project. They see it as fulfilling two needs: First, to replicate, so far as it is possible in a British cultural environment, what the Hungarians are doing with their physically handicapped children; and second, to subject what is done to objective, scientific evaluation. The project would be related to the Faculty of Education and the Institute of Child Health at the University of Birmingham.

It is proposed to establish a school in which British children can receive Hungarian-style Conductive Education. Syllabus and teaching method would draw directly from Hungarian experience and from the wider theoretical positions on child development and education that this represents, with adaptations as appropriate to accommodate the conventions and requirements of the English education system. The children will be evaluated medically, socially and psychologically throughout the process to document whether or not Conductive Education achieves the major breakthroughs claimed and reported for it.

* now increased to 4 years

THE CENTRE'S ROLE

There is clearly much to be learned in skills and attitudes from the socialist countries, while in return, there is much that British practitioners could contribute in their analytical skills.

The Centre would act in a facilitating capacity, bringing to this country foreign practitioners and psychologists, and enabling their British counterparts to visit abroad to study what is being done outside this country.

The interest which the Centre takes in this project is that it could provide an excellent opportunity to create better understanding between peoples (particularly those of opposing ideologies) through working together on a matter of deep concern to all - their handicapped children.

Additionally, the Centre would seek to bring an understanding of the philosophy and success of Conductive Education to the ordinary public in order to show that within every society there is caring, positive work being carried out to help the disadvantaged. This could lead Confidence Building outside the purely military parameters in which it is presently confined. In such a wider context, ordinary citizens could become involved in, or at least aware of, a new international collaboration in fields of humane research and practice which are of international lifesaving importance.

THE CENTRE
for
INTERNATIONAL
PEACEBUILDING

Director: Brigadier Michael N. Harbottle, OBE

Deputy Director: Sir John Whitmore, Bt.

Southbank House
Black Prince Road
Lambeth
LONDON SE1 7SJ

Telephone: 01-735 8171

Telex: 285555 LSP—G

Nearest Undergrounds and Buses:—

Vauxhall and buses 44, 77, 170

Waterloo and buses 149, 507

Bus 159 from Oxford Street and Westminster

Consultants

Dr. Mark Barnaby
(former Director of SIPRI)

Robert Blackburn
(International Baccalaureate)

Dr. Helen Caldicott (Australia)
(Founder, Physicians for Social Responsibility)

Dr. Rodrigo Carazo
(President, United Nations University for Peace, Costa Rica)

Lord Caradon of St. Cleer
PC, GCMG, KCVO, OBE
(former UK minister to the United Nations)

Dr. William Davidson (USA)
(President, Institute for Psychiatry and Foreign Affairs, Washington DC)

Jonathan Dimbleby
(Yorkshire TV)

James Fawcett
(former President, European Court of Human Rights)

Professor John Ferguson
(Chairman UNA)

Rev. Dr. Kenneth Greet
(Secretary, the Methodist Conference)

Professor William Gutteridge
(Department of International Studies, Aston University)

Sean McBride
(former Asst Sec General UN Commission on Namibia and Nobel Peace Prize winner)

Generaalmaajor Michael von Meyenfeldt
(Netherlands) (Chairman, Generals for Peace and Disarmament)

Gerard Morgan-Grenville
(Chairman, Society for Environmental Improvement, UK Director of ECOROPA)

Professor Joseph Rotblat
(Chairman, British PUGWASH Group)

Anthony Sampson
(Author of "The Arms Bazaar", etc.)

Mark Stephens
(Industrial Relations Officer, Thames TV)

Harford Thomas
(Columnist and former deputy editor The Guardian)

Mrs. Inga Thorsson (Sweden)
(former Chairman, UN Expert Group on the Relationship between Disarmament and Development)

Sir Laurens van der Post
(Author)

Management

A Board of Management has been set up to oversee the work of the Centre, comprised of the Director, the Deputy Director, Mrs. Caroline Gourlay, Dr. Alex Poteliakhoff and Canon Kenyon Wright. *MRS EILEEN NOAKES
AIR COR ACK. MACKICE (NET)*

Consultancy

A group of highly experienced consultants have agreed to advise the Centre on its projects and to assist in their implementation.

Finance

The annual running costs of the Centre are estimated at £60,000, inclusive of rent, rates, domestic services, maintenance, office expenses and salaries. (A detailed budget can be provided on request.) Funding for individual projects will be separate.

The Centre is being advised on fund raising by Redmund Mullin, former Assistant Director, the Charities Aid Foundation.

THE CENTRE

for

INTERNATIONAL PEACEBUILDING

Director: Brigadier Michael N. Harbottle, OBE

Deputy Director: Sir John Whitmore, Bt.

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LONDON SE1 7SJ

Telephone: 01-735 8171

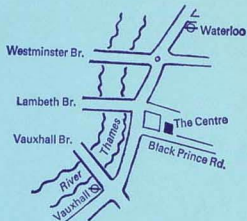
Telex: 285555 LSP—G

Nearest Undergrounds and Buses:—

Vauxhall and buses 44, 77, 170

Waterloo and buses 149, 507

Bus 159 from Oxford Street and Westminster



INTRODUCTION

Why yet another study centre for peace? There are already numerous peace research centres. Why add to them?

The Centre for International Peacebuilding Studies aims to bridge the gap between academic peace research and the activist movement.

'Peacebuilding' is the process by which the causes of conflict — fear, distrust, lack of communication, social and economic deficiency, denial of human rights, etc. — can be corrected and the conflict avoided.

We can help to achieve this in four ways:—

1. The Centre plans to undertake projects directed at advancing international understanding and peaceful coexistence between nations. Some examples are:—

(a) Disarmament: preparation of a handbook of verification procedures for use in arms control agreements.

(b) Confidence building: the development of an East-West 'peoples' detente through the building of communication bridges at the professional, artistic, media, business and community levels.

(c) Collective Security: research into collective security systems which will enable countries of the Third World to live and develop peacefully.

2. Via a collective approach, the different organisations and groups working for peace and security can be more effective. The growth of professional groups — doctors, lawyers, scientists, psychologists, architects, teachers, as well as those with military and business backgrounds — has added a new dimension to the disarmament debate and to the study of alternative means of security. The Centre's second purpose, therefore,

is to provide a working base and resource centre so that the groups can develop their own projects and studies. They will be encouraged to interrelate with one another so as to obtain the widest input and best collective result.

3. The response of the young to these issues has been very marked and the demand for information from schools and students has been mounting over the past few years. The Centre's third purpose will be to provide resource material for schools and to examine with teachers and others the best teaching methods. The Centre will also house a library with a substantial schools section.

4. There is a need to provide mixed seminars for parliamentarians, military officers, churchmen, diplomats, academics and others. The Centre will be a venue for such meetings.

A GLOBAL NETWORK

It is the intention to establish a global network by linking with other centres abroad of a comparable nature so that an international communication link can be set up to facilitate the exchange of information and data about each other's projects and studies. Liaison work to this end has already begun.

It is the Centre's maxim that Peace is Everybody's Business. The need for communication, dialogue and exchange of view between peoples is paramount if fear and distrust are to be replaced by confidence and understanding. Recent years have seen the emergence of a powerful dynamic for peace amongst ordinary people across the world. The aim of the Centre is to harness this force and greatly increase its effectiveness.

HOW THE CENTRE WILL OPERATE

Location

The Centre is situated in Southbank House, Black Prince Road, Lambeth, London S.E.1. It is easily accessible from all main line stations. Additional office space is available as the Centre expands, ultimately offering a complex of 2,300 sq. ft. A conference room (capacity 125-150) is available.

Participating Groups

A number of groups from the medical, legal, architectural and teaching professions, and from the business world, have indicated their wish to establish offices at the Centre or to take advantage of its facilities. The newly formed group of former senior NATO officers, Generals for Peace and Disarmament, has agreed to locate its office in the Centre.

International Links

Various groups in Europe, USA, Australia and New Zealand have already expressed an interest in establishing working links with the Centre.

Management

A Board of Management has been set up to oversee the work of the Centre, comprised of the Director, the Deputy Director, Mrs. Caroline Gourlay, Dr. Alex Poteliakhoff and Canon Kenyon Wright. *MRS EILEEN NOAKES
AIR CDR ACL. MACKICE (NET)*

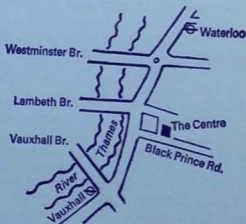
Consultancy

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Finance

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The Centre is being advised on fund raising by Redmund Mullin, former Assistant Director, the Charities Aid Foundation.





10 DOWNING STREET

From the Private Secretary

26 January 1984

The Prime Minister has asked me to thank you very much for your letter of 18 January about your visit to Hungary as a representative of British Church Women.

As you say, the Foreign and Commonwealth Office have full reports of your work in Hungary and Poland. They have commented on the value they place on your visits and on developing relations between the Churches in Eastern Europe and in Britain. Sadly, the Prime Minister's visit to Hungary will be all too brief and there will not be time to visit Debrecen and to see the Church leaders there. But the Prime Minister understands that they are all well known to our Embassy in Budapest.

Mrs. Thatcher is most grateful to you for giving us this background to the Churches in Hungary, and for your good wishes for her visit.

MR. D. BARCLAY

Mrs. Elizabeth Charles



Foreign and Commonwealth Office

London SW1A 2AH

26 January, 1984

GR
Pse type fms.
D

26/1

Dear John,

Hungary

Thank you for your letter of 24 January about Mrs Elizabeth Charles' Church contacts with Hungary. Mrs Charles is known to us and took part in a very successful Church visit to Hungary in 1980. She deserves encouragement and a warm reply. I enclose a draft.

Yours ever,

Peter Ricketts

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

DRAFT: ~~minute/letter/teletype/letter/despatch/note~~
xxxxxx xxxxxxxxxxxxxxxxx

TYPE: Draft/Final 1+

FROM: Private Secretary, No 10

Reference

DEPARTMENT: TEL. NO:

SECURITY CLASSIFICATION

TO: Mrs Elizabeth Charles
5 Queen Street
New Quay
Dyfed
SA45 9PY

Your Reference

- Top Secret
- Secret
- Confidential
- Restricted
- Unclassified

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

The PM has asked me to

CAVEAT.....

~~Thank you very much for your letter of 18 January to the Prime Minister~~ about your visit to Hungary as a representative of British Church Women.

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Mrs Thatcher is ~~I am~~ most grateful to you for giving us this background to the Churches in Hungary, and for your good wishes for *her* ~~the Prime Minister's~~ visit.

Enclosures—flag(s).....



10 DOWNING STREET

From the Private Secretary

25 January 1984

Thank you very much for your letter of 24 January about the research at the John Radcliffe Hospital, Oxford, which is being carried out by Dr. Elizabeth Horak. I shall bring this to the Prime Minister's attention and am quite sure that she will find it of great interest.

mc

Sir Donald Logan, KCMG.

rw

CONFIDENTIAL



FILE

R57

cc: Blingham

10 DOWNING STREET

From the Private Secretary

25 January, 1984

PRIME MINISTER'S VISIT TO HUNGARY

Thank you for your letter of 23 January about the handling of the media during this visit.

The Prime Minister agrees with your proposals, except that in answering possible criticisms about the visit appearing to condone the suppression of the 1956 Revolution we would not use the first sentence of the suggested line ("The Hungarian Revolution took place over 27 years ago."). I think Mrs. Thatcher feels that such a statement might create the impression that we were seeking to play down the significance of that event.

11 COPIES

R.B. Bone, Esq.,
Foreign and Commonwealth Office

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

25 January, 1984

Jan John

and

*pl. let me have the
complete guest list on
the Tuesday 31 Jan (a.m.)*

Prime Minister's Visit to Hungary

A.F.C. 26/1

The Hungarian Ambassador has asked us to let you know that in addition to the Prime Minister and yourself, the other guests at his dinner party in her honour on Tuesday 31 January will be:

Mr and Mrs Peter Rees

Mr and Mrs Malcolm Rifkind

Sir Anthony Jolliffe, former Lord Mayor of London,
and Lady Jolliffe

Mr W Mackworth-Young, Chairman of Morgan Grenfell

Sir Antal Dorati, Conductor Laureate, Royal Philharmonic
Orchestra

Professor Nicholas Kurti, CBE, FRS, Professor of Physics,
Oxford University

Unfortunately a number of the other suggested guests, such as Lord Carrington, will either be abroad at the time or had engagements that they could not alter.

I enclose a short personality note about Dr Banyasz.

John Bone
(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

BÁNYÁSZ, REZSŐ DR

Hungarian Ambassador in London.

Born 1931.

Graduated from Budapest University Faculty of Law in 1954: became Foreign Editor of "Magyar Ifjusag" and then "Népszava" until he joined the MFA in 1961, working in the Press Department. Press Attache in Stockholm 1962-68, then Deputy Head and later Head of Press Department, MFA, 1968-72. Personally chosen by the Foreign Minister to be deputy Permanent Representative of Hungary to the United Nations 1972-76. Secretary of the Committee for European Security and Co-operation 1976-78. Deputy Head of the Hungarian Delegation at the Belgrade Conference. Head of Press Department, MFA from March 1978 until July 1981.

Married with two children. His wife speaks English; he speaks English, German and Swedish. A pleasant and helpful man, an active Head of Department and proving to be an energetic and constructive Ambassador.

He accompanied Foreign Minister Puja on his official visit to London in 1977.



A.J.C. 25/1

31 Knightsbridge London SW1X 7NH
Telephone 01-245 9771

Chairman The Lord Walston, CVO
Hon. Treasurer John N. Cooper, OBE
Director and Secretary Sir Donald Logan, KCMG

24 January 1984

MARK

Pl. take the letter
(to which I have replied) pls
to be lodged with u.

Dear Coles,

A.J.C. 24/1

In connection with her visit to Hungary, the Prime Minister may wish to know that together with the Royal Society this Centre has funded during 1983 a year's research at the John Radcliffe Hospital, Oxford, by a young Hungarian pathologist, Dr. Elizabeth Horak. At the hospital she has collaborated with Dr. D. Tarin, Nuffield Reader in Pathology.

Dr. Horak's work as a pathologist on human tissues complemented Dr. Tarin's work to try to identify why some organs of the human body appear to be noticeably more resistant than others to the incidence of secondary cancers.

The results so far have been so promising that the hospital is making arrangements in the hope that Dr. Horak's stay may be prolonged for the research to be completed.

The special character of this work is that the researchers have found an acceptable way to study directly the incidence of secondary cancers in humans. It presents a noticeable example of British/Hungarian cooperation.

Yours ever
Donald Logan

(Donald Logan)
Director

A.J. Coles, Esq.,
Private Secretary (Overseas Affairs),
No. 10 Downing Street,
London SW1.

cc: J. Birch, Esq., FCO
J. Deverill, Esq., Royal Society



Ach-27

ds

10 DOWNING STREET

From the Private Secretary

24 January, 1984.

Hungary

I enclose a copy of a letter which the Prime Minister has received from Mrs. Elizabeth Charles about church contacts with Hungary. I should be grateful if you would let me have a draft reply for my signature on behalf of the Prime Minister by 30 January.

BF //

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.



cc710 JD

10 DOWNING STREET

From the Private Secretary

24 January 1984

Thank you for your letter of 13 January to the Prime Minister about her forthcoming visit to Hungary.

As I am sure you will have heard, a visit to one of your project sites outside Budapest has been included in the Prime Minister's programme for 4 February. I know she is much looking forward to it. Mrs. Thatcher hopes that the visit will be helpful to your company's activities in Hungary and to British industry generally.

A. J. COLES

C.J. Chetwood, Esq.

ls



Prime Minister.

Contact for Bernard to
take the line in briefing the
press about Hungary?

Foreign and Commonwealth Office

London SW1A 2AH

23 January 1984

A.S.C. 24/1

*As requested
not*

Dear John,

Prime Minister's Visit to Hungary

You asked on the telephone for some thoughts about how the British media might be handled during the Prime Minister's visit to Hungary and in particular the guidance they should be given about her objectives.

We think the press may be inclined to bill the visit as a breakthrough in East-West relations and a first step on the road to Moscow. They may speculate on proposals that the Prime Minister is putting indirectly to the Russians. Whatever the reality, we think it would be right to discourage such ideas. Too much reporting on these lines would make the Hungarians feel they are being put in the spotlight unfairly and unhelpfully. Although, as the Prime Minister and Foreign Secretary agreed the other day, the problem with Mr Bush's Vienna speech was mainly one of substance, this may have made them apprehensive of once again being 'used'. They will certainly tend to link British press comment with official briefing. If this is conducted mainly with an eye on its impact in Hungary, it is likely to be right at the end as well.

We suggest therefore that press briefings should underline the Prime Minister's interest in Hungary for its own sake. Its economic reform and social developments have made it one of the most interesting communist states offering good business opportunities for British firms. The experience of visitors such as Lord Carrington and Sir Geoffrey Howe have shown also that it is possible to have wide-ranging and frank talks with the Hungarians on international questions. Such talks increase our understanding of the intentions and concerns of the Warsaw Pact countries. But they are not designed to send specific messages to Moscow, nor would we take the Hungarians to task for their allies' behaviour. At this particular time, dialogue with the East is vital. The objective of the visit is to promote Anglo/Hungarian relations, to see a communist country and to have a thorough exchange of views with the Hungarian leadership.

/It is



It is just possible that the Prime Minister's visit could be criticised as condoning the suppression of the 1956 Revolution and Kadar's role in it. It would be reasonable to answer such criticism on the following lines:

~~The Hungarian Revolution took place over 27 years ago.~~ We must look to the future if we are to make progress between East and West. Hungary is now one of the more liberal and prosperous communist states. The visit enables the Prime Minister to talk to Mr Kadar and his colleagues about matters of concern to us all.

Yours ever,

Peter Rodcuts

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

23 JAN 1964





Foreign and Commonwealth Office

London SW1A 2AH

23 January, 1984

Dear John,

Prime Minister's Visit to Hungary

type enc. p.

10-24/1.

The Chairman of Wimpey wrote to the Prime Minister on 13 January about the possibility that she might visit one of their sites during her visit to Hungary. This has now been arranged and I enclose a draft reply.

Yours ever,

Peter Ricketts

(P F Ricketts)
Private Secretary

A J Coles Esq
10 Downing Street

HUNGARY: Malakos Feb 81

Malakos, Hungary, Feb 81

Malakos, Hungary, Feb 81



DRAFT: ~~minutes~~/letter/~~teletype~~/despatch/~~note~~

TYPE: Draft/Final 1+

FROM:

Private Secretary
No 10

Reference

DEPARTMENT:

TEL. NO:

SECURITY CLASSIFICATION

TO:

Your Reference

Top Secret
Secret
Confidential
Restricted
Unclassified

C J Chetwood Esq
Chairman
George Wimpey PLC
Hammersmith Grove
London W6 7EN

Copies to:

PRIVACY MARKING

SUBJECT:

.....In Confidence

Thank you for your letter of 13 January to the Prime
Minister about her forthcoming visit to Hungary.

CAVEAT.....

As I am sure you will have heard, a visit to one of
your project sites outside Budapest has been ~~written~~^{included}
into the Prime Minister's programme for 4 February.
I know she is much looking forward to it. ~~and~~^{As the letter} hopes ~~that~~
the visit will be helpful to your company's activities
in Hungary and to British industry generally.

100 ²⁴/₁

Enclosures—flag(s).....

HUNGARY Relations Feb 81

23 JAN 1984



CONFIDENTIAL

PRIME MINISTER'S VISIT TO HUNGARY: 2-4 FEBRUARY 1984

DRAFT

STEERING BRIEF

Brief by the Foreign and Commonwealth Office

INTRODUCTION

1. This visit is important in three ways:-
 - it is the first visit by a British Prime Minister to Hungary since the War, and probably the first by the Prime Minister of either country to the other since Hungary separated from Austria in 1918;
 - it will be the Prime Minister's first visit to a Warsaw Pact country since she took office, apart from her stopover and meeting with Kosygin at Moscow Airport in 1979;
 - it falls at a time of peculiar complexity in East/West relations, with the first INF missiles deployed and operational, the CDE just launched, the Soviet Union rudderless and sulky, and the East Europeans more uneasy than ever at their own impotence: never has East/West dialogue looked more necessary or more full of problems.

2. The task will be to seize this triple opportunity, imaginatively but without exaggeration. Hungary can never be more than a secondary power, even within Europe. Only in economic policy is there conscious deviation from Moscow's line towards decentralisation, individual incentive and market forces. Even here the picture by Western standards is one of low productivity, sloppy management and pervasive inflexibility. In other fields, especially foreign policy, Hungary wears a mask of wall-to-wall conformity with Moscow.

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Not surprisingly, 'Anglo-Hungarian relations' has in recent years meant no more than periodic visits at the level of Foreign Minister and below, trade not exceeding £100 million a year in either direction and some cultural contact, mostly between specialists.

3. Yet the Hungarian experiment is much more than it seems: more daring, and more subtle. The long term objective seems to be a society that will be Central rather than Eastern European in character: still no doubt a member of the Warsaw Pact and of CMEA (assuming those institutions survive), still a one-party state, with the press controlled and overt dissent forbidden: but offering its citizens a way of life having more in common with its old partner Austria than with any of its neighbours to the East. In this perspective, the real threat to Hungary's national independence is Russia: a soft market and a useful supplier of raw materials, but politically backward, obtuse and unpredictable; while the West is seen as the source of technology, innovation, artistic quality and ideas.

4. To wear one mask while pursuing the other objective requires all the finesse and cynicism that are the Hungarian trademarks.

5. Even more than other East European countries, Hungary supports and is an active practitioner of East/West dialogue. Lord Carrington (1980) and Sir Geoffrey Howe (September 1983) have visited Budapest. Mr Marjai, a Deputy Prime Minister with economic responsibilities, came to London in March 1983 and called on the Prime Minister. Hungarian contacts with other Western countries, especially the FRG, have been more intensive still. It is significant that the Hungarians feel able to receive the Heads of Government of the three INF basing countries (Britain, Italy and the FRG) within the first six months of 1984, at a time when Moscow is showing its displeasure by curtailing contacts of this kind.

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Objectives

6. In this situation, the Hungarian objectives for the visit are likely to be:-

- (a) to project Hungary as a significant and economically viable country in its own right, while underlining that it is communist and loyal to its alliances;
- (b) to put across an orthodox Warsaw Pact line on international questions, tempered with genuine Hungarian concern over deteriorating East/West relations;
- (c) if necessary, to try to pin the blame on NATO for the Soviet walk-out in Geneva and for 'counter-measures' in Eastern Europe; to see whether there is any mileage in criticising the United States;
- (d) to press for continued British support for Hungary's approach to the European Community, and for access to our markets and loan funds;
- (e) in private rather than in the formal sessions to stress that the sort of developments Hungary has in mind are made more difficult at times of East/West tension.

7. British objectives are as follows:-

- (a) to show recognition of what is distinctive in the Hungarian course, and implicitly to encourage its continuation;

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- (b) to convey a political message which will catch the attention of the Hungarians and of their allies to whom they will relay it;
- (c) to contribute positively and significantly to the East/West dialogue;
- (d) to assess how strong are the political and economic strains between the Soviet Union and Eastern Europe;
- (e) to improve the prospects for Anglo-Hungarian trade.

TACTICS

8. The Hungarians will be obliged to report on the talks to Moscow and to their other allies. This means that any direct criticism of the Soviet Union will produce a rebuttal for the record, probably at length. Even without such an excuse, they may feel the necessity to expound the Soviet line on the causes of current East/West tension, the wickedness of the Reagan administration etc. The formal meetings will therefore be less valuable than the more private talks, for which every possible opportunity should be seized. Particularly important will be the call on Kadar, whose experience and standing in Eastern Europe are unique and who has known Andropov since 1956. Annex A to this Brief contains points suitable for use in private with Kadar or others, as opportunity may permit.

TALKS

9. A suitable division of subjects would be as follows:

Prime Minister Lazar

The main session of formal talks will be with Mr Lazar,

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perhaps supported by the Foreign Minister. Mr Lazar will probably invite the Prime Minister to open with a statement and then make one of his own. A draft statement is attached (Annex B). Discussion might then centre on:

- (i) East/West relations
- (ii) arms control
- (iii) the world economy
- (iv) Hungary and the European Community
- (v) points from Mr Lazar's statement
- (vi) bilateral relations

Deputy Prime Minister Marjai (if arranged)

These talks will be less formal and Mr Marjai may be supported by the Foreign Trade Minister. It would be appropriate to persuade Mr Marjai to open with an account of the Hungarian economy and the prospects for continued economic reform. Topics for discussion would be:

- (i) The Hungarian economic reform
- (ii) Hungary and the European Community
- (iii) Anglo-Hungarian trade
- (iv) Prospects within CMEA

President Losonczi

This will be a short protocol call: bilateral relations and the need to improve East/West dialogue at a difficult time would be appropriate.

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Mr Kadar

The meeting will be at Central Committee Headquarters and limited to 2 or 3 a side. Kadar is likely to explain the progress Hungary has made since 1956 and to state his concern about the international situation. He tends to speak for some time before being ready for an exchange of views. With the points for use in private conversation at Annex A in mind, the Prime Minister may wish to try to draw him on:

- (i) Hungary's role in Europe and her future aspirations
- (ii) the relationship with the Soviet Union
- (iii) the leadership situation in Moscow
- (iv) the way forward in East/West relations
- (v) European security

The effective time for all talks will be halved by interpretation.

Invitations

10. In accordance with normal practice, the Prime Minister will wish to invite Mr Lazar to visit Britain. Depending on the impression she forms, the Prime Minister may also wish informally to invite Mr Kadar to visit London. He has been to Bonn and Paris in recent years but at a better time in East/West relations. He is unlikely to accept an invitation for some time. But its issue would send a very clear signal that we want to remain in touch.

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Summary of Briefs

11. (To follow)

Annex A

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Annex A

Points for use in private conversations in Budapest.

1. How can we bring the Soviet leaders out of their isolation? Andropov is too ill to receive visitors, much less to travel to the West. Gromyko gives the impression of having made up his mind on all international questions ten years ago, if not twenty. Whom can we talk to, and how?

2. Do not the Russians realise that this is the worst possible time for arms control talks to be suspended? Military technology in Russia and America is romping ahead as usual: ASATs and 'Star Wars' weapons are already on the horizon. Some Americans, and probably some Russians too, question the possibility of controlling the arms race by means of negotiations and agreements. It is urgently necessary for political leaders to get a grip on these developments, and to show their peoples that they are doing so. But if the two super-powers are not in systematic contact, nothing can happen. How can we bring this about? A Soviet refusal to continue negotiations plays into the hands of those in the West who portray arms control as an irrelevance. The Americans will not be rigid about where the table is, or what label it carries. But the Russians must show flexibility too.

3. When will the Russians read the writing on the wall in Afghanistan? They have been offered a political exit; they should take it. They will have to withdraw their troops, as the Americans did from Vietnam. Babrak Karmal must go too. But any government in Kabul will want to be on reasonable terms with Moscow. An Asian Finland - what more do the Russians want?

4. When are the Comecon countries going to accept that all the richer nations have a moral responsibility towards all the poorer nations? At present OECD countries give 0.35% of

CONFIDENTIAL

their GNP in net aid, while CMEA countries give only 0.16%, most of it to Cuba, Vietnam and Mongolia.

5. How is Poland likely to evolve? The Hungarian example does not seem relevant: the Poles have neither the economic talent nor the political self-restraint. Perhaps it is the Soviet Union itself that will have to change if Poland is to be accommodated in Eastern Europe. Is this the kind of question that could be raised in internal discussions about whether to renew the Warsaw Pact when it runs out in 1985?

6. Have the Hungarians noticed the emphasis that Chancellor Kohl has been giving to the theme of German unity? It seems to us that the rest of the world would be no more able to prevent German reunification, if the Russians decided to permit it, than we can bring it about now, when the Russians are implacably opposed. But after 35 years, 'Socialism' has only very shallow roots in the GDR. Perhaps Kohl is right?

7. Have watched with interest and admiration your policy of economic reform. Clear that the systemic faults in Soviet and other CMEA economies are not going to achieve the results their leaders have been promising their peoples for many years. Problems may grow more acute as new technology is introduced in the West and increasingly in the Third World. What sort of long-term future do the CMEA planners envisage? What sort of economic reform is it realistic to expect in the Soviet Union?

8. When is the Soviet Union going to devise a system for the peaceful transfer of power? At present it relies on the putsch (Khrushchev) or ill health/death (Brezhnev). The US can also be out of action for much of an election year (though the timing and reasons are known). These uncertainties are bad for the rest of us.

Annex B

PRIME MINISTER'S TALKS WITH THE HUNGARIAN PRIME
MINISTER: 3 FEBRUARY 1984

DRAFT

OPENING STATEMENT

1. It is a great pleasure to be in Hungary. Two of my Foreign Ministers, Peter Carrington and Geoffrey Howe, as well as many other colleagues, have spoken most warmly of your country, of your hospitality and of your wisdom. I have met and greatly enjoyed my talks with Mr Marjai and other Hungarian visitors to London. Now at last I am able to see for myself. I look forward to learning of your achievements in recent years and of your hopes and concerns for the future.

2. But first let me tell you a little about Britain and what we have achieved over the last five years. The main task has been to put Britain once again in the forefront of modern industrial societies. This has meant that we have had to restructure and modernise our industry, win new export markets and bring inflation under control. At the same time we have had to cope with what we hope will be the temporary phenomenon of

RESTRICTED

high levels of unemployment as old industries are replaced by new. And with the popular expectation that living standards will automatically increase year by year. These were formidable tasks. But the battle is being won. We are rekindling the spirit of enterprise. The state undertakings and the local councils that have been profligate with public funds have been called to heel. We are encouraging the movement of resources into new and profitable industries based on the latest technology. At the same time, we are seeking to bring about the regeneration of the old. This has involved some sacrifice. Britain is a compassionate society, that provides high standards of education, health care, housing and social welfare. We are creating a sound, new base from which to face the future. This is how a capitalist society adapts to change.

3. Yours is a communist country with a socialist economy. But the problems we face in the production of wealth are similar. We may differ about the best way to distribute wealth, but that is the easy part. The first requirement is to create wealth. I believe that here we have a common problem and that we can learn from each other.

4. We in Britain also share with you in Hungary the same hopes for the future - peace and prosperity in a

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stable and just world. History has placed us too often on different sides. But we share a common inheritance of culture and civilisation. I believe that we Europeans have a community of interest that makes it imperative to find solutions to the problems that divide us. At the top of the list must be problems of peace and security.

5. My visit comes at a special moment in East/West relations. It is a time of difficulty, of change and of hope. We are unlikely to agree about who is responsible for the present difficulties. I am not sure, for example, that it would be profitable for us to spend much time reiterating our respective positions on the important issues of arms control.

6. What would I think be valuable is for us to reassure you and your Allies about the deep seriousness with which Britain and Britain's allies approach arms control. We have reached a disturbing situation. Both sides are concerned by perceived imbalances in modern weaponry and the need to pursue every opportunity offered by new defence technologies. As a result they are becoming locked into an upward spiral of military expenditure. This is something which in the long run none of us can afford; and indeed none of us can afford even the present levels of defence expenditure without making sacrifices in our economic development, and

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in our social welfare programmes. It makes straight economic as well as military sense for us to secure agreements that can lead to a stable military balance at lower levels of armaments. There is too a deep yearning amongst our peoples for real and early progress in disarmament, particularly of nuclear disarmament, and the new strategy that would result.

7. It is for us politicians to point the way forward and to show our peoples we are doing so; to cut through any tendencies there may exist amongst our military or our bureaucracies that might unnecessarily complicate tasks which are already difficult enough. We need also to be able to raise our heads from the business of hardware accountancy and to look forward to identify those new technologies which if uncontrolled in the initial stages of their development will lead to major and perhaps insuperable difficulties in future negotiations.

8. I say to you frankly that we are determined to make progress in arms control and particularly in nuclear arms control. We want the Soviet Union to return to negotiations in Geneva and Vienna. This is the worst possible time for arms control talks to be suspended as new military technology is emerging so fast. The two sides must be in regular contact. If and when the Russians do see it as in their interests

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to return to the negotiating table, I know that the United States will be prepared to resume in all seriousness and urgency the search for concrete and practicable measures of agreement.

9. Even though our societies are based on different economic and political systems, we both share an interest in a stable and prosperous world economy. I know that Britain and other Western countries have played a constructive part in the development of the Hungarian economy. Now high interest rates and very demanding markets in the West have made life difficult for all countries that depend on exports. Britain finds it easier to do business with countries that understand market forces and the hard realities of international trade. I think that Hungary does have this understanding - although there are still many unexplored possibilities in our bilateral trade. We have taken a lead in impressing on our partners in the European Community that it is in all our interests to find the way to an agreement between Hungary and the Community. Britain knows better than anyone the virtues of patience and perseverance in Brussels. One of the best guarantees of peace and prosperity is a clear perception of the ways in which, despite our differences, we can work together for our mutual benefit and enrichment.

RESTRICTED

10. I have dwelt mostly on the problems of Europe. But we also share a responsibility to work for an end to the wars in the Middle East and elsewhere, to deprivation in the Third World, to the plight of people worldwide who are denied the freedom to live and to work without fear or want. I hope we shall have time to review these problems as well.

11. I am happy, however, in the face of all these problems to say that our bilateral relations are so good. I hope we can give them more substance and make them thrive on daily business. This should be not just at the political level, but in the economic, commercial and cultural fields as well. British industry is as competitive today as it was a hundred years ago when Adam Clark built the Lanchid.* I should like to see more British companies busy in the Hungarian market and more Hungarian companies selling in Britain. I see no political obstacle to this. It is up to our businessmen to show flair, imagination and persistence. I should also like to see the great

* The most famous bridge over the Danube: pronounced Lance Heed.

RESTRICTED

richness of British culture more widely known in Hungary especially through the activities of the British Council.

12. May I again thank you for this opportunity to open our discussion of the major issues that confront us.

SOVAAK

RESTRICTED

N. CARTWRIGHT

FILE (Asked FCO to
return encls with thei
draft reply) R M



1/2

10 DOWNING STREET

From the Private Secretary

20 January, 1984

I enclose a copy of a letter the Prime Minister has received from Mr. N. Cartwright of Chubb & Son's Lock and Safe Company Limited.

I should be grateful if you could let me have a draft Private Secretary reply to send to Mr. Cartwright by ~~Friday~~, 3 February.

Wednesday 1

(David Barclay)

R. Bone, Esq.,
Foreign and Commonwealth Office

RB
ls

AJK

Hungary Briefing

Who do I invite
for this?

CR.

P.P. please let me know
soon otherwise I
won't get anyone.

done
CR 19/11

Mr. Taylor.

FCS.

He invite these → Sir A. Acland.

by the time Sir F. Bullard.

being. Mr. Cartledge.

15/11

A.F.C. $\frac{18}{1}$

January 18th 1984.
 20

Dear Prime Minister,

to Hungary.

I have read with great interest of your proposed visit

As the Free Church representative on the Women's National Commission I was responsible for getting an ecumenical delegation of British Church Women to Hungary and Poland in 1980, and arranging for return visits in 1981. (F.C.O have full reports)

In both countries as you will know the Churches play an important role. In Hungary the Reformed Church has played a particularly interesting part in seeking to cooperate with the State as much as possible, without loss of principle.

The R.C.'s, for a long period took a more reactionary line (e.g. Mungert in the American Embassy). Hungary has an Ecumenical Council with extremely able leadership, and a famous centre of learning at DEBRECEN. They formerly owned the University there, which is now in the hands of the State, but a good relationship has been maintained in spite of many difficulties. If you have an opportunity to meet any leaders like Bishop Bartha, Bishop Karoly Toth, Professors Prohla ^{and} Pasztor (all known to British Church leaders) I think it will give you an important insight into the situation in Hungary.

Further on the official side the women who looked after us and welcomed us warmly were Dr. Vera Vardos (~~under~~ international Secretary of Hungarian Women Council), and Mrs Edit Adri, who was Cultural Attaché at the Embassy in London before returning with her husband to the Foreign Ministry in Budapest (was responsible for Foreign Trade).

This may seem trivial in view of the importance of your visit, but I thought you might meet some of these people

with whom I am still in communication. Lady Young
knows of my work in this connection. I am
hoping to get a similar group to East-German,
early in May. I was present at the reception
which you gave to W.N.C.

With all good wishes for your work in Hungary.

I am,

Yours sincerely,

(Mrs.) Elizabeth Charles

P.S. Please excuse the writing - the typist who
keeps me from time to time is doing
grandmotherly duties away in England.



heve

10 DOWNING STREET

From the Private Secretary

18 January 1984

Hungary

I enclose a copy of a letter which the Prime Minister has received from Mr. C.J. Chetwood, Chairman of Wimpey. When it is confirmed that the Prime Minister will be visiting a Wimpey site during her visit to Hungary, I should be grateful if you would let me have a suitable draft reply to Mr. Chetwood's letter.

BF ||

A. J. COLES

R.B. Bone, Esq.,
Foreign and Commonwealth Office.

80



10 DOWNING STREET

Mr Coles

I gather the Wimpey
visit is in the
draft programme.

OK for me to thank
(without commitment)
ad copy to FCO.

Dues
17/1



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street
London W1P 6AA
Telephone: 01-637 2377
Telex: 261645

NC/eef

R 2011

17th January 1984

The Right Honourable Margaret Thatcher
10 Downing Street
London SW1

Dear Prime Minister,

We understand that you are visiting Hungary during the early part of February, and we also understand that you are "batting for Britain".

We have been operating in Hungary for the last 12 months and have visited the country six times in the last nine months.

We have an opportunity of business with the State Railways and the National Savings Bank (see copy quotations enclosed). We know that we are the only British security company operating in Hungary and therefore your fullest co-operation in this matter would be most appreciated.

Yours faithfully,

N. CARTWRIGHT
REGIONAL MARKETING MANAGER

ENCL.



a member of the Chubb Group

Registered Office: 51 Whitfield Street, London W1P 6AA
Registered number 495726 England



AS APPOINTED
TO HER MAJESTY THE QUEEN
FOR THE SUPPLY OF
MILITARY AND NAVY WEAPONS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street
London W1P 6AA
Telephone: 01-637 2377
Telex: 261645

Our ref : ALP/rmc

30th November 1983.

Mr. Jozsef Keller,
Head of Department,
National Savings Bank,
Department of Systemorganization and
Management Mechanization,
BUDAPEST V.
16. Munnich F. St.,
BUDAPEST,
Hungary.

Dear Mr. Keller,

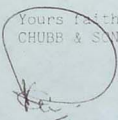
With reference to the two drawings given to us by our Associate Mr. Zoltan B. Soos, we have great pleasure in detailing below our official quotation and proforma invoices required for safe deposit strongrooms for the National Savings Bank in Budapest.

The drawings we received were not too detailed but we have prepared our own drawings showing each of the proposed layouts and these are :-

- a) Drawing 112.83.052 showing the main strongroom
- b) Drawing 113.83.012 showing the smaller strongroom
- c) Drawing 113.83.012 again showing the smaller strongroom but including a different proposed layout of safety deposit lockers.

We hope this meets with your approval and look forward to hearing from you at your earliest convenience.

Yours faithfully,
CHUBB & SON'S LOCK & SAFE CO. LTD.


A.L. Pettit
Special Contracts

Encl. quotation/proforma invoices/drawings/literature



a member of the Chubb Group

Registered Office: 51 Whitfield Street, London W1P 6AA
Registered number 495726 England

CHUBB

QUOTATION

30th November 1983.

NATIONAL SAVINGS BANK,
BUDAPEST,
HUNGARY.

Item 1. MAIN STRONGROOM - CHUBB DRAWING : 112.83.052.

1,826 CHUBB Lips Vago safe deposit lockers
comprising :-

87 sections of A12 = 1,044 lockers
52 sections of B10 = 520 lockers
26 sections of C 8 = 208 lockers
9 sections of D 6 = 54 lockers

Total = 1,826 lockers

Any one locker section can be arranged on top of
any other locker section to the Bank's requirement
prior to order as all lockers will be numbered
from 1 upwards in English only.

Once assembled, the exact dimensions of a full
group of lockers i.e. one section placed on top of
another section, complete with a plinth and a
cornice are :-

2050 mm high by 330 mm wide by 510 mm deep.

All lockers will include inner containers, plinths,
cornices and interchangeable S + G locks.

Complete with all necessary end panels, filler strips
and four renters/privacy booths to compliment the
entire installation.

Finished in either painted finish or complete
stainless steel finish throughout.

Please state preference in the event of an order
being placed.

TOTAL PRICE FOB ITALIAN PORT	£ 76,789.00
Overland trailer freight	2,005.00
Insurance charges	867.00

TOTAL PRICE ALL 1,826 LOCKERS CIF BUDAPEST £ 79,661.00

CHUBB

QUOTATION

30th November 1983.

NATIONAL SAVINGS BANK,
BUDAPEST,
HUNGARY.

2

Delivery : 22 to 26 weeks from receipt of a firm order.

Item 2. ONE ONLY CHUBB Lips Vago ALPHA STRONGROOM DOOR AND FOLDING DOUBLE LEAF GATE IN PAINTED FINISH.

Door hung right hand when viewed from outside the strongroom.

The door is secured by one keylock with double bitted keys in duplicate.

When in the closed position , the door is held in position by nine (9) moving bolts - 7 at the opening edge and two (2) on the top edge - each 30 mm in diameter.

Complete with a double leaf folding grillegate secured by one keylock operable from both sides with keys in duplicate.

Vestibule plates to suit a 30 cms minimum wall thickness.

Standard painted finish throughout.

PRICE FOB ITALIAN PORT	£ 3,593.00
Overland trailer freight	585.00
Insurance charges	46.00

TOTAL PRICE FOR ONE DOOR CIF BUDAPEST £ 4,224.00

Delivery : 12 to 14 weeks from receipt of a firm order.

Item 3. SECOND STRONGROOM - CHUBB DRAWING : 113.83.012 (Alternative A)

292 CHUBB Lips Vago safe deposit lockers comprising :-

14 sections of A12 =	168 lockers
8 sections of B10 =	80 lockers
4 sections of C 8 =	32 lockers
2 sections of D 6 =	12 lockers

Total = 292 lockers

Any one locker section can be arranged on top of any other locker section to the Bank's requirement prior to order as all lockers will be numbered in English only from 1-up.

CHUBB

QUOTATION

30th November 1983.

NATIONAL SAVINGS BANK,
BUDAPEST,
HUNGARY.

3

Once assembled, the exact dimensions of a full group of lockers i.e. one section placed on top of another section, complete with a plinth and a cornice are :-

2050 mm high by 330 mm wide by 510 mm deep.

All lockers will include inner containers, plinths, cornices and interchangeable S + G locks.

Complete with all necessary end panels, filler strips and two renters/privacy booths to compliment the entire installation.

Finished in either painted finish or complete stainless steel finish throughout.

Please state preference in the event of an order being placed.

TOTAL PRICE FOB ITALIAN PORT	£ 13,828.00
Overland trailer freight	355.00
Insurance charges	156.00

TOTAL PRICE ALL 292 LOCKERS CIF BUDAPEST £ 14,339.00

Delivery : 12 to 14 weeks from receipt of a firm order.

Item 4. ONE ONLY CHUBB Lips Vago ALPHA STRONGROOM DOOR AND FOLDING DOUBLE LEAF GATE IN PAINTED FINISH.

Door hung right hand when viewed from outside the strongroom.

Door secured by one keylock with double bitted keys in duplicate.

When in the closed position, the door is held in position by nine (9) moving bolts - 7 at the opening edge and 2 at the top edge - each 30 mm in diameter. Complete with a double leaf folding grillegate secured by one keylock operable from both sides with keys in duplicate.

...../4

CHUBB

QUOTATION

30th November 1983.

NATIONAL SAVINGS BANK,
BUDAPEST,
HUNGARY.

Vestibule plaets to suit a 30 cms minimum wall thickness.

Standard painted finish throughout.

PRICE FOB ITALIAN PORT	£3,593.00
Overland trailer freight	565.00
Insurance charges	46.00

TOTAL PRICE FOR ONE DOOR CIF BUDAPEST £4,224.00

Delivery : 12 to 14 weeks from receipt of a firm order.

Item 5. SECOND STRONGROOM - CHUBB DRAWING : 113.83.013
(Alternative B)

N.B. This item is as an alternative solution for safe deposits to item 3.

314 CHUBB Lips Vago safe deposit lockers comprising :-

15 sections of A12 =	180 lockers
9 sections of B10 =	90 lockers
4 sections of C 8 =	32 lockers
2 sections of D 6 =	12 lockers

Total = 314 lockers

Any one locker section can be arranged on top of any other locker section to the Bank's requirement prior to order as all lockers will be numbered from 1 upwards in English only.

Once assembled, the exact dimensions of a full group of lockers i.e. one section placed on top of another section, complete with a plinth and a cornice are :-

2050 mm high by 330 mm wide by 510 mm deep.

All lockers will include inner containers, plinths, cornices and interchangeable S + G locks.

Complete with all necessary end panels, filler strips, corner jambs and one renters/privacy booth to compliment the entire installation.

CHUBB

QUOTATION

30th November 1983.

NATIONAL SAVINGS BANK,
BUDAPEST,
HUNGARY.

5

Finished in either painted finish or complete stainless steel finish throughout.

Please state preference in the event of an order being placed.

TOTAL PRICE FOB ITALIAN PORT	£ 13,624.00
Overland trailer freight	376.00
Insurance charges	154.00

TOTAL PRICE ALL 314 LOCKERS CIF BUDAPEST £ 14,154.00

Delivery : 12 to 14 weeks from receipt of a firm order.

Terms of payment : By a confirmed and irrevocable Letter of Credit through a UK Bank in favour of :-

Chubb & Son's Lock & Safe Co.Ltd.,
51 Whitfield Street,
LONDON
W1P 6AA
England.

To allow shipment from any Italian Port.

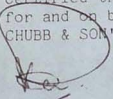
We certify that the above goods as described are manufactured by Lips Vago spa and are therefore of Italian origin and manufacture.

Please note that Lips Vago spa , Milan , Italy is a member of the CHUBB Group of Companies.

This quotation is valid for acceptance for a period of 90 days from 30th November 1983.

We also enclose our relevant drawings , leaflets and proforma invoices to suit the above equipment.

Certified true and correct,
for and on behalf of:-
CHUBB & SON'S LOCK & SAFE CO.LTD.


A.L.Pettit
Special Contracts

Encl.



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

National Savings Bank,
Budapest,
HUNGARY.

30th November 1983.

Item 1.

Main strongroom - CHUBB drawing 112.83.052.

1826 CHUBB Lips Vago safe deposit lockers.

Comprising :-

87 sections of A12

52 sections of B10

26 sections of C 8

9 sections of D 6

As per brochure enclosed.

Any one locker section can be arranged on top of another section and numbered from 1-up in English.

Once assembled, the exact dimensions of a full group of lockers complete with plinth and cornice are :-

2050 mm high by 330 mm wide by 510 mm deep.

All lockers will include inner containers, plinths, cornices and interchangeable S + G locks.

Complete with all necessary end panels, filler strips and four renters/privacy booths to compliment the entire installation.

Finished in either painted finish or complete stainless steel finish throughout.

Total price FOB Italian Port £ 76,789.00

Overland trailer freight 2,005.00

Insurance charges 867.00

TOTAL PRICE CIF BUDAPEST ALL 1826 SAFE DEPOSIT LOCKERS

£ 79,661.00

Delivery : 22 to 26 weeks from order.

Item 2.

Second strongroom - CHUBB drawing 113.83.012.
Alternative A.

202 CHUBB Lips Vago safe deposit lockers.

Comprising :-

34 sections of A12

.....12

GOODS



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

National Savings Bank,
Budapest,
HUNGARY.

30th November 1963

2

8 sections of B10
4 sections of C 8
2 sections of D 6

Any one locker section can be arranged on top of any other locker section and numbered 1-up in English.
Once assembled, the exact dimensions of a full group of lockers complete with plinth and cornice are :-

2050 mm high by 330 mm wide by 510 mm deep.

All lockers will include inner containers, plinths, cornices and interchangeable S + G locks.

Complete with all necessary end panels, filler strips and two renters/privacy booths to compliment the entire installation.

Finished in either painted finish or in stainless steel finish throughout.

Total price FOB Italian Port	£ 13,828.00
Overland trailer freight	355.00
Insurance charges	156.00

TOTAL PRICE CIF BUDAPEST ALL 292 SAFE DEPOSIT LOCKERS

£ 14,339.00

Delivery : 12 to 14 weeks from order.

Item 3.

Second strongroom - CHUBB drawing 113.83.013
Alternative B.

314 CHUBB Lips Vago safe deposit lockers.

Comprising :-

15 sections of A'2
9 sections of B10
4 sections of C 8
2 sections of D 6

Any one locker section can be arranged on top of any other section and numbered 1-up in English.

Once assembled, the exact dimensions of a full group of

...../3

GOODS



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

National Savings Bank,
Budapest,
HUNGARY.

30th November 1983

lockers complete with plinth and cornice are :-

2050 mm high by 130 mm wide by 510 mm deep.

All lockers will include inner containers, plinths
cornices and interchangeable S + G locks.

Complete with all necessary end panels, filler strips,
corner jambs and one renters/privacy booth to compliment
the entire installation.

Finished in either painted finish or stainless steel finish
throughout.

Total price FOB Italian Port	£ 13,624.00
Overland trailer freight	376.00
Insurance charges	154.00

TOTAL PRICE CIF BUDAPEST ALL 374 SAFE DEPOSIT LOCKERS

£ 14,154.00

Delivery : 12 to 14 weeks from order.

Two only CHUBB Lips Vago Alpha strongroom main doors.

Each complete with a double leaf folding gate.

Door hung right hand when viewed from outside each
strongroom.

The door is secured by one keylock with double bitting keys
in duplicate.

When in the closed position, the door is held in position
by nine moving bolts - 7 at the opening edge and 2 on the
top edge - each 30 mm in diameter.

The double leaf gate is secured by one keylock operable from
both sides with keys in duplicate.

Vestibule plates to suit a 30 cms minimum wall thickness.
Standard painted finish throughout.

Price per door FOB Italian Port	£ 3,593.00
Overland trailer freight	585.00
Insurance charges	46.00
Price per door CIF Budapest	£ 4,224.00

TOTAL PRICE CIF BUDAPEST FOR ALL TWO ALPHA DOORS

£ 8,448.00

Delivery : 12 to 14 weeks from order.

...../4

GOODS

Item 4.



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

National Savings Bank,
Budapest,
HUNGARY.

30th November 1983

Terms of payment : By confirmed and irrevocable letter of credit through a UK Bank in favour of :-
CHUBB & SON'S LOCK & SAFE CO.LTD.,
51 Whitfield Street, London W1P 6AA

The letter of credit to allow shipment from any Italian Port.

We certify that all the above goods are manufactured by Lips Vago spa., 20063 Cernusco sul Naviglio, Milano, Italia and are therefore of Italian manufacture and origin.

Lips Vago s.p.a. is a member of the CHUBB Group of Companies who has its Head Office and Export Department at 51 Whitfield Street, London W1P 6 AA England.

This proforma invoice is valid for acceptance for a period of ninety (90) days from 30th November 1983.

Certified true and correct,
for and on behalf of :
CHUBB & SON'S LOCK & SAFE CO.LTD.

A.L.Pettit
Special Contracts

GOODS

CHUBB

QUOTATION

11th January 1984

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY

Item 1. Three only CHUBB cashiers module units to comprise a full counter , a pay station , a security screen and a canopy.
Glazed in CSG 36 mm laminated security glass.

Price each module FOB UK Port	£ 2,032.00
TOTAL PRICE FOB UK PORT	£ 6,096.00
Overland trailer freight	465.00
Insurance charges	<u>72.00</u>
TOTAL PRICE CIF BUDAPEST	<u>£ 6,630.00</u>

Delivery : 10 to 12 weeks ex works

Approximate shipping specification :

All three units packed in one wooden crate :

Measurements : 358 x 140 x 116 cms.

Net weight : 1250 kgs.

Gross weight : 1440 kgs.

Item 2. Three only CHUBB type 'B' Standard Staff Security Doors.
Each door is secured by one CHUBB 3R35 mortice locking latch with keys in triplicate.
Complete with a vision panel measuring 405 mm by 244 mm incorporating CSG 36 mm glass and an overhead door closer.
Each door is supplied with a mahogany grained steel panels on the outside and is complete with a hardwood frame with deep metal security rebates , heavy duty hinges and hinge bolts.
All doors will open outwards i.e. to direction of attack.

Price each door FOB UK Port	£ 967.00
TOTAL PRICE FOB UK PORT	£ 2,901.00
Overland trailer freight	162.00
Insurance charges	<u>34.00</u>
TOTAL PRICE CIF BUDAPEST	<u>£ 3,096.00</u>

Delivery : 6 to 8 weeks ex works

CHUBB

QUOTATION

11th January 1984

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY.

: 2 :

Approximate shipping specification :

All three doors packed in one wooden crate :

Measurements : 216 x 109 x 86 cms.
Net weight : 490 kgs.
Gross weight : 570 kgs.

Item 3.

Two only CHUBB security windows (internal) in etched silver anodised aluminium finish.
Each window measures 2000 mm wide by 3000 mm high in two fixed panels and in three tiers.
The glazing to the lower tier, the first tier and the second tier is in CHUBB CSG 36 mm laminated security glass.

Price per window FOB UK Port	£ 4,865.50
TOTAL PRICE FOB UK PORT	£ 9,731.00
Overland trailer freight	169.00
Insurance charges	109.00
TOTAL PRICE CIF BUDAPEST	£ 10,009.00

Delivery : 9 to 10 weeks ex works

Approximate shipping specification :

All two windows packed inside one wooden crate :

Measurements : 315 x 216 x 31 cms.
Net weight : 785 kgs.
Gross weight : 900 kgs.

Item 4.

One only CHUBB re-inforced double door in frame.
The measurements are 2700 mm wide by 3000 mm high.
Complete with armoured panels and hinges, flush bolts to re - hung door.
Door to open outwards i.e. to direction of attack.
All panels will be in prime painted finish only for final painting (by others) on site.

PRICE FOB UK PORT	£ 1,449.00
Overland trailer freight	155.00
Insurance charges	18.00
TOTAL PRICE CIF BUDAPEST	£ 1,622.00

...../3

CHUBB

QUOTATION

11th January 1984

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY.

: 3 :

Delivery : 6 to 8 weeks ex works

Approximate shipping specification :

Packed in one wooden crate :

Measurements : 315 x 150 x 41 cms.

Net weight : 645 kgs.

Gross weight : 700 kgs.

Item 5.

One only CHUBB steel roller shutter.

The dimensions are 1000 mm wide by 2000 mm high.

Complete with locking.

Finished in galvanised finish.

PRICE FOB UK PORT	£ 470.00
Overland trailer freight	30.00
Insurance charges	6.00

TOTAL PRICE CIF BUDAPEST	£ 506.00
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Delivery : 4 to 6 weeks ex works

Approximate shipping specification :

Packed in one wooden crate :

Measurements : 150 x 50 x 50 cms.

Net weight : 64 kgs.

Gross weight : 80 kgs.



CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street
London W1P 6AA
Telephone: 01-637 2377
Telex: 261645

Our ref : ALP/rmc

30th November 1983.

Mr. Thomas Sarbo,
Import Officer,
Hungarian State Railways,
1940 BUDAPEST,
Nepkoztarsasag utja 75.,
BUDAPEST,
Hungary.

Dear Mr. Sarbo ,

I refer to recent conversations with our Mr. Nigel Cartwright whilst he was in Hungary last and we have great pleasure in detailing below our quotation for various safes required by the Hungarian State Railways.

We also enclose our relevant proforma invoices for the relevant goods and look forward to hearing from you in the not too distant future.

Yours faithfully,
CHUBB & SON'S LOCK & SAFE CO. LTD.

A.L. Pettit
Special Contracts

Encl. proformas etc.



a member of the Chubb Group

Registered Office: 51 Whitfield Street, London W1P 6AA
Registered number 495726 England

CHUBB

QUOTATION

30th November 1983.

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY.

Item 1. ONE ONLY CHUBB LIPS VAGO SIZE 6428/2 DOUBLE DOOR
PROGETTO SAFE.

Resistant to attack from mechanical tools , percussion
tools , explosives and torches.
This is a double door safe , secured by two keylocks
with keys in duplicate to each lock.
Fitted internally with four full-width adjustable
shelves.
Standard painted finish.

PRICE FOB ITALIAN PORT	£ 2,894.00
Overland trailer freight	355.00
Insurance charges	<u>36.00</u>

TOTAL PRICE CIF BUDAPEST £ 3,285.00

Delivery : 6 to 8 weeks from receipt of a firm order.

Approximate shipping specification :-

Net weight : 2600 kgs.
Volume : 0.890 cubic metres
Doors : 2
External height : 1800 mm
External width : 1250 mm
External depth : 805 mm
Internal height : 1600 mm
Internal width : 1050 mm
Internal depth : 530 mm

The outside of the safe is finished in light and dark
grey with the inside in polished painted finish.

Item 2. ONE ONLY CHUBB LIPS VAGO SIZE 3420 PROGETTO SAFE.

Hung right hand.
Resistant to attack from mechanical tools , percussion
tools , explosives and torches.
The safe is secured by two keylocks with keys in duplicate
to each lock.

...../2

CHUBB

QUOTATION

30th November 1983.

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY.

2

Fitted internally with two shelves.
Standard painted finish.

PRICE FOB ITALIAN PORT	£ 1,157.00
Overland trailer freight	125.00
Insurance charges	14.00

TOTAL PRICE CIF BUDAPEST £ 1,296.00

Delivery : 6 to 8 weeks from receipt of a firm order.

Approximate shipping specification :-

Net weight : 925 kgs.
Volume : 0.179 cubic metres
Doors : 1
External height : 1050 mm
External width : 700 mm
External depth : 695 mm
Internal height : 850 mm
Internal width : 500 mm
Internal depth : 420 mm

The outside of the safe is finished in light and dark grey with the inside in polished painted finish.

Item 3. SAFES FOR SALARIES OFFICES.

SIX ONLY CHUBB LIPS VAGO SIZE 5520 PROGETTO SAFES.

Hung right hand.
Resistant to attack from mechanical tools , percussion tools , explosives and torches.
Each safe is secured by two keylocks with keys in duplicate to each lock.
Fitted internally with three shelves.
Standard painted finish.

PRICE EACH FOB ITALIAN PORT	£ 1,440.00
Overland trailer freight each	198.00
Insurance charges each	18.00
PRICE EACH SAFE CIF BUDAPEST	£ 1,656.00

TOTAL PRICE ALL SIX SAFES CIF BUDAPEST £ 9,936.00

...../3

CHUBB

QUOTATION

30th November 1983.

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY.

3

Delivery : 8 to 10 weeks from receipt of a firm order.

Approximate shipping specification :-

Net weight : 1450 kgs each.
Volume : 0.345 cubic metres each.
Doors : 1
External height : 1500 mm each.
External width : 700 mm each.
External depth : 805 mm each.
Internal height : 1300 mm each.
Internal width : 500 mm each.
Internal depth : 530 mm each.

The outside of each safe is finished in light and dark grey with the inside of each safe in polished painted finish.

Item 4.

SAFE FOR RAILWAYS STAFF.

ONE ONLY CHUBB LIPS VAGO RT168 SAFE.

Hung right hand.
The safe is secured by two keylocks with keys in duplicate to each lock.
Fitted internally with four shelves.
Standard painted finish.

PRICE FOB ITALIAN PORT	£ 813.00
Overland trailer freight	102.00
Insurance charges	10.00
TOTAL PRICE CIF BUDAPEST	£ 925.00

Delivery : 6 to 8 weeks from receipt of a firm order.

Approximate shipping specification :-

Net weight : 950 kgs.
External height : 1680 mm
External width : 685 mm
External depth : 670 mm
Internal height : 1500 mm
Internal width : 505 mm
Internal depth : 480 mm

CHUBB

QUOTATION

30th November 1983.

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY.

4

Item 5. SPECIAL CASH BOXES FOR TRANSPORTATION ON MONEY.

ONE ONLY CHUBB LIPS SPECIAL SECURITY CHIEFS CASHBOX

The dimensions of each box are approximately :-

457 mm long by 305 mm wide by 203 mm high.

These dimensions are exclusive of the furniture
i.e. handles etc.

Constructed from 16 swg mild steel , suitably
stiffened. .

Complete with a base plate to fix the box to the
inside of a vehicle.

The lid is secured by a 6-lever brass bound lock ,
spring-loaded , self-locking with keys in duplicate
to each lock , all locks to differ from each other.
The lock deadbolt action automatically locks the lid
and secured the cash box to the base plate.

Inside the cash box is a tray with three compartments
manufactured from 20 swg mild steel which rests
below the lid on four supports.

The base plate is drilled and counter-sunk to take
six large wooden screws.

The cash box is complete with a brass drop-down handle
on top of the box lid.

When the lid is open , it is supported by an arrestor
chain.

Finished in painted mid-grey hammer tone.

PRICE PER BOX FOB ITALIAN PORT	£ 83.00
Overland trailer freight	6.30
Insurance charges	<u>0.98</u>

TOTAL PRICE PER BOX CIF BUDAPEST £90.28

Please note that we have given the price for one
special cash box only as we do not as yet know your
exact requirements.

...../5

CHUBB

QUOTATION

30th November 1983.

HUNGARIAN STATE RAILWAYS,
BUDAPEST,
HUNGARY.

5

Delivery : 12 to 14 weeks from receipt of a firm order but this will depend on the exact requirements.

N.B. Please note that items 1 and 2 are required to replace old Wertheim safes sizes 6240 and 3420 that are currently being used by the Hungarian State Railways.

Payment terms : By confirmed and irrevocable Letter of Credit through a UK Bank in favour of :-

Chubb & Son's Lock & Safe Co.Ltd.,
51 Whitfield Street,
LONDON
W1P 6AA
England.

To allow shipment from any Italian Port.


We certify that the above goods as described are manufactured by Lips Vago spa and are therefore of Italian origin and manufacture.

Please note that Messrs.Lips Vago spa , Milan , Italy is a member of the CHUBB group of Companies which has its Head Office and Export Division at 51 Whitfield Street , London W1P 6AA , England.

This quotation is valid for acceptance for a period of 90 days from 30th November 1983.

We also enclose our relevant proforma invoices for the above mentioned equipment.

Certified true and correct,
for and on behalf of :-
CHUBB & SON'S LOCK & SAFE CO.LTD.


A.L.Pettit
Senior Administrator

Encl.



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

Hungarian State Railways,
1940 Budapest,
HUNGARY.

30th November 1983.

GOODS

Item 1.

One only CHUBB Lips Vago size 6428/2 double door
Progetto safe.

Resistant to attack from mechanical tools , percussion
tools , explosives and torches.
This is a double door safe , secured by two keylocks with
keys in duplicate to each lock.
Fitted internally with four adjustable shelves.
Standard painted finish.

Price FOB Italian Port	£ 2,894.00
Overland trailer freight	355.00
Insurance charges	36.00

TOTAL PRICE CIF BUDAPEST FOR ONE SAFE SIZE 6428/2	£ 3,285.00
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Delivery : 6 to 8 weeks from order.

Net weight : 2600 kgs
Volume 0.890 cubic metres
Doors : 2
External height : 1800 mm
External width : 1250 mm
External depth : 805 mm
Internal height : 1600 mm
Internal width : 1050 mm
Internal depth : 530 mm.

Item 2.

One only CHUBB Lips Vago size 3420 Progetto safe.

Hung right hand.
Resistant to attack from mechanical tools , percussion
tools , explosives and torches.
The safe is secured by two keylocks with keys in duplicate
to each lock.
Fitted internally with two adjustable shelves.
Standard painted finish.

Price FOB Italian Port	£ 1,157.00
Overland trailer freight	125.00
Insurance charges	14.00

TOTAL PRICE CIF BUDAPEST FOR ONE SAFE SIZE 3420	£ 1,296.00
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...../2



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

Hungarian State Railways,
1940 Budapest,
HUNGARY.

30th November 1983.

2

GOODS

Delivery : 6 to 8 weeks from order.

Net weight : 925 kgs
Volume : 0.179 cubic metres
Doors : 1
External height : 1050 mm
External width : 700 mm
External depth : 695 mm
Internal height : 850 mm
Internal width : 500 mm
Internal depth : 420 mm

Item 3.

(Safes for salaries offices)

Six only CHUBB Lips Vago size 5520 Progetto safes.

Hung right hand.

Resistant to attack from mechanical tools , percussion tools , explosives and torches.

Each safe is secured by two keylocks with keys in duplicate to each lock.

Each safe is fitted internally with three adjustable shelves. Standard painted finish.

Price each safe FOB Italian Port	£ 1,440.00
Overland trailer freight per safe	198.00
Insurance charges per safe	18.00
Price per safe CIF Budapest	<u>£ 1,656.00</u>

TOTAL PRICE CIF BUDAPEST FOR ALL SIX SAFES

£ 9,936.00

Delivery : 8 to 10 weeks from order.

Net weight : 1450 kgs
Volume : 0.345 cubic metres
Doors : 1
External height : 1500 mm
External width : 700 mm
External depth : 805 mm
Internal height : 1300 mm
Internal width : 500 mm
Internal depth : 530 mm.

...../3



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

Hungarian State Railways,
1046 Budapest,
HUNGARY.

30th November 1983.

3

GOODS

Item 4.

(Safe for Railways Staff)

One only CHUBB Lips Vago RT168 safe.

Hung right hand.

The safe is secured by two keylocks with keys in duplicate to each lock.

Fitted internally with four shelves.

Standard painted finish.

Price FOB Italian Port	£ 813.00
Overland trailer freight	102.00
Insurance charges	10.00

TOTAL PRICE CIF BUDAPEST FOR ONE RT168 SAFE

£ 925.00

Delivery : 4 weeks from order.

Net weight : 950 kgs
External height : 1680 mm
External width : 685 mm
External depth : 670 mm
Internal height : 1500 mm
Internal width : 505 mm
Internal depth : 480 mm

Item 5.

Special Cash boxes for the transportation of money.

We do not as yet know your exact requirement by quantity so we are therefore quoting for one cash box, but please note that the freight charges and insurance charges will be considerably reduced the more boxes that are ordered.

One only CHUBB Lips Vago special security Chief's cashbox.

The dimensions of each box are approximately 457 mm long by 305 mm wide by 203 mm high.

The dimensions given naturally exclude the furniture.

16 SWG mild steel construction, suitably stiffened and complete with a base plate.

The lid is secured by a 6-lever brass bound lock - spring loaded - self locking.

All locks will differ from each other with keys in duplicate to each lock.

...../4



BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

Hungarian State Railways,
1240 Budapest,
HUNGARY.

30th November 1983.

GOODS

The lock dead bolt action automatically locks the lid and secures the cash box to the base plate.
A cash tray with three compartments manufactured from 20 swg completes the inside of each box and this tray rests below the lid on four supports.
The base plate is drilled and counter-sunk to take six large wood screws.
A plain brass handle is supplied(drop-down version) on top of the box lid.
The lid is supported in the open position by an arrestor chain.
Finished in one coat of primer and one coat of hammertone mid grey paint.

Price each FOB Italian Port	£ 83.00
Overland trailer freight	6.30
Insurance charges	0.98

PRICE PER BOX CIF BUDAPEST

£ 90.28

Delivery : 10 to 50 - 3 weeks
50 to 100 - 6 weeks
100 to 200 - 9 weeks
200 to 500 - 12 weeks
500 plus - 14 weeks

All deliveries are quoted in weeks from receipt of a firm order.

N.B. PLEASE NOTE THAT ITEMS 1 AND 2 ARE REQUIRED TO REPLACE OLD WERTHEIM SAFES SIZE 6240 AND 3420 RESPECTIVELY THAT ARE CURRENTLY IN USE WITH THE HUNGARIAN STATE RAILWAYS.

Payment terms : By confirmed and irrevocable letter of credit through a UK Bank in favour of :-
CHUBB & SON'S LOCK & SAFE CO.LTD.,
51 Whitfield St., London W1P 6AA, England.

Letter of credit to allow shipment from any Italian port.

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BY APPOINTMENT
TO HER MAJESTY THE QUEEN
PATENT LOCK AND SAFE MAKERS

CHUBB

Chubb & Son's Lock and Safe Co Ltd

51 Whitfield Street London W1P 6AA

Telephone 01-637 2377

Telegrams Chubb London W1 Telex 261645

PROFORMA INVOICE

Hungarian State Railways,
1-40 Budapest,
HUNGARY.

30th November 1983.

GOODS

The above goods are manufactured by Lips Vago s.p.a.,
20063 Cernusco sul Naviglio, Milano, Italia and are
all therefore of Italian origin and manufacture.

N.B. LIPS VAGO S.P.A., IS A MEMBER OF THE CHUBB GROUP
OF COMPANIES WHICH HAS IT'S HEAD OFFICE AND EXPORT
DIVISION AT 51 WHITFIELD STREET, LONDON, W1P 6AA
ENGLAND.

This proforma invoice is valid for acceptance for a period
of ninety (90) days from 30th November 1983.

Certified true and correct,
for and on behalf of :-
CHUBB & SON'S LOCK & SAFE CO.LTD.,

A.L.Pettit
Special Contracts

CHUBB
PROTECTIVE SERVICE

26 JAN 1964



[Handwritten signature]

cc PM TOURS ABROAD: PM's visit
to Hungary: OCT 83.



10 DOWNING STREET

From the Private Secretary

16 January, 1984

Hungary

Further to my letter of ~~12~~¹¹ January, the Prime Minister would be grateful if you could inform the Hungarian Ambassador that another person whom she would be glad to see at the Ambassador's dinner is Lord Shackleton.

As you know, Lord Shackleton is Chairman of the East European Trade Council. I enclose with this letter a copy of a recent exchange of correspondence between Mrs. Thatcher and Lord Shackleton.

A. J. COLES

R. B. Bone, Esq.,
Foreign and Commonwealth Office



FLF
JR
cc: FCO.

10 DOWNING STREET

THE PRIME MINISTER

16 January, 1984

Dear Lord Shackleton

I was very grateful indeed for your letter of 12 January and its valuable insights into Hungary. I shall have these well in mind during my visit. My Private Office will be glad to give you an account of the visit afterwards and will be in touch with you.

Your comments are most valuable because I shall have to make 2 speeches and I hope appear on television. And it is so important not to drop brides. Warm regards
The Rt. Hon. Lord Shackleton, KG, OBE.

Yours sincerely
Margaret Thatcher

54



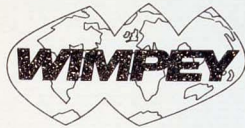
10 DOWNING STREET

Prime Minister.

Lord Shackleton's letter
about Hungary is well
well reading.

A.S.C. $\frac{13}{1}$

Could we ask for
Lord S to be invited
to the dinner the
Hungarian Ambassadors is
fixing before we go.
M



George Wimpey PLC Hammersmith Grove London W6 7EN Telephone 01-748 2000
Telex UK-25666 Overseas 22436 Reg London 1397926 27 Hammersmith Grove London W6 7EN

From the office of the Chairman

227

13 January 1984

The Rt Hon Margaret Thatcher PCMP
10 Downing Street
London SW1

Dear *Ronnie Minster*.

As I mentioned at lunch last Wednesday, we have as a company pioneered a housing system in Hungary.

One of my staff who recently returned from Hungary, has informed me of discussions with the Embassy in Budapest concerning the possibility of yourself seeing one of our project sites during your visit in February.

In view of this, I felt that you may appreciate some brief information concerning our activities in Hungary.

Our Company enjoys a long standing and very successful Co-operation Agreement with Hungary which provides for the transfer of Wimpey No-Fines Technology. This is a Wimpey developed insitu system for constructing houses and flats and in which we have constructed 334,000 dwellings in the UK.

Our agreement with Hungary provides for 24,000 housing units to be constructed within their borders for which we receive a licence fee for every unit completed. The work is carried out by Hungarian Co-operative Building companies for whom we have provided training for their workers and technicians on our sites and offices in the UK, and all the necessary technical back-up.

Up to now, 5,000 Wimpey No-Fines housing units have been completed in many parts of Hungary and others are currently being constructed in sixteen locations.

The agreement may be described as possibly unique as we are not obliged to take part payment in Hungarian goods or services and are promptly paid in Sterling.

You may be interested to note that the success of our System in Hungary is entirely due to the speed of construction, quality of the finished product and to the fact that it is approximately 10% cheaper than the precast concrete housing units produced by State factories. Their other systems are dominated by Russian panel designs, another example of the triumph of 'free enterprise'.

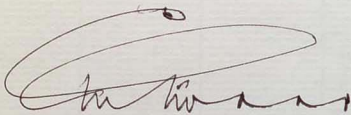
The Hungarians have also proved that the Wimpey System demands less man-hours than the precast system and also provides the design flexibility necessary for a better environment.

Although we are discussing a Communist country, the profit motive within local companies is extremely strong by virtue of profit sharing schemes. So much so that in one case the workers refused to work on precast system sites and insisted on Wimpey No-Fines, because they earn more.

It is possible that you may agree that our involvement in Hungary is a success story and, we trust, may have contributed towards fostering goodwill towards Britain and respect for her technology.

I do hope that it may be possible for you to include, during your very busy schedule, a brief visit to one of our sites which we believe is likely to be close to Budapest at Szentendre.

Yours sincerely

A large, stylized handwritten signature in dark ink, appearing to read 'C J Chetwood'. The signature is written in a cursive, flowing style with a large loop at the beginning.

C J Chetwood



12th January, 1984

The Rt. Hon. Margaret Thatcher, M.P.,
Prime Minister,
10 Downing Street,
London, S.W.1

Dear Prime Minister

Getting away from the Falklands for once I am writing in my capacity as Chairman of the East European Trade Council (E.E.T.C.) to say how delighted we are to learn that you intend going to Hungary and to wish your visit every success.

I had a word with your Private Office and they thought it would not be amiss if I were to put down a few words based on my Council's experience and dealings with the Hungarians. I realise that you will, of course, be receiving very full briefing and all I am offering is a few "snapshots".

The E.E.T.C., as you probably know, is one of the British Overseas Trade Board's Advisory Groups charged with the task of stimulating British trade with Eastern Europe and the Soviet Union. Whilst its function is essentially commercial and not political I believe that its existence does have some political significance and that the continuing commercial dialogue between us and the countries of Eastern Europe makes some contribution towards East/West relations.

As for Hungary, although this is not the best time of year, Budapest is an attractive and really rather lively place. The Hungarians are very sensitive about their uniqueness, proudly regarding themselves as an island of Magyars surrounded by a sea of Slavs. Indeed, they sometimes like to think they are a bit like the British vis-à-vis the rest of Europe. Certainly they dislike being thought of as just another part of Eastern Europe, and warm to the visitor who acknowledges their distinction.

Although I have not met Mr. Kardar, I have found that people such as Deputy Prime Minister Marjai, Dr. Timar (President of the National Bank of Hungary) and Mr. Veress (Minister for Foreign Trade) are sophisticated and forthcoming.

/.....

12th January, 1984

The Rt. Hon. Margaret Thatcher, M.P.

Under the new economic mechanism, in which Dr. Timar played a major role, they have gone further than any other East European country to dismantle their central planning apparatus, and are certainly open to the value of introducing some element of private enterprise. They are apt to make jokes about economists, of whom they have many, and like to inquire in a jolly way about Tommy Balogh and Nicky Kaldor. A former Deputy Prime Minister said to me at the end of a meeting, "we are, of course, not Marxists, but perhaps Keynsian". I refrained from pointing out that they are a bit out of date there.

I think they are genuinely well disposed towards the British and anxious to cultivate good relations with the West. Unofficially, individuals at a high level expressed sympathy, and indeed approval, for the Falklands operation - a reaction that I have encountered elsewhere in Eastern Europe. Although, of course, firmly tied into COMECON and the Warsaw Pact, they have probably gone as far as practicable in ameliorating the worst aspects of a communist regime and, indeed, have few, if any, political prisoners. Certainly this was true a year or two ago.

Our trade with Eastern Europe is by no means insignificant, and our exports in the first eleven months of 1983 (January - November) amount to well over £800 million. While the bulk of our trade is with the Soviet Union, our exports to Hungary have risen quite sharply to some £84 million for the first eleven months of 1983 - still pretty small as compared with West Germany's figures.

Perhaps I should add that the E.E.T.C., whose membership is pretty broadly based (list attached) are unanimous in their appreciation of the efforts which your Ministers have been making to visit Hungary and other East European countries ever since you first came to Office, and also of recording the value which the business community attaches to the work of our Embassies throughout the area. We have enjoyed, if I may say so, a run of excellent Ambassadors in Budapest including, very much, Bryan Cartledge, who has been associated with the work of the Council from time to time for a number of years.

Incidentally, I am hoping to visit Budapest myself in May and should be very interested, if it were possible for your Private Office to let me know, how your visit went. There is no doubt that the Hungarians will regard it as of the very highest importance.

Best wishes,
Iddi Shackleton

SHACKLETON

Attached

MEMBERS OF THE EAST EUROPEAN TRADE COUNCIL

CHAIRMAN

The Rt Hon Lord Shackleton : Adviser to the Rio Tinto-Zinc
KG PC OBE Corporation Plc; Chairman, Anglesey
Aluminium Ltd

DEPUTY CHAIRMAN

Sir John Buckley : Chairman, Engelhard Industries Ltd;
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Ltd

L Friedman Esq OBE : Director of East/West Trade, Rubery
Owen Holdings Ltd; Director, NEI
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MEMBERS

Miss A M Conning : Overseas Markets Division, Inter-
national Affairs Directorate,
Confederation of British Industry

M A Cooper Esq : Managing Director, Lee Cooper
Licensing Services Ltd

D H Crees Esq : Executive Director, British-Soviet
Chamber of Commerce

D C Dicker Esq : International Manager, Barclays Bank
International Ltd

K J Downes Esq : Marketing Manager - Eastern Europe,
GKN Group International Marketing
Services

R H G Edmonds Esq CMG MBE : Adviser, Kleinwort Benson Ltd

R J French Esq : General Coordinator - Eastern Europe,
Imperial Chemical Industries Ltd

...../2

MEMBERS OF THE EAST EUROPEAN TRADE COUNCIL

- K W N George Esq : Assistant Secretary, Overseas Trade Division 4, Department of Trade & Industry
- R R Land Esq : General Manager, East European Operations, Rank Xerox Ltd
- W F Nicholas Esq OBE : Director, London Chamber of Commerce & Industry
- D J Pepper Esq : Special Adviser to the Chairman of Rolls Royce Ltd
- T G P Rogers Esq : Director of Personnel & Europe, The Plessey Company Plc
- M J Sellars Esq : Head, East European Division, Shell International Petroleum Co Ltd
- Lord Selsdon : Midland Bank Group EEC Adviser
- D Winter Esq OBE : Partner, Baker & McKenzie [Honorary Legal Adviser to the Council]
- Dr N S Wooding : Deputy Chairman, Courtaulds Plc

* * *

- A R B Hore Esq MBE : Executive Secretary, East European Trade Council

* * *

December 1983

Dear Hugh -
In view of certain announced
travel plans, they could
interest you.

RADIO FREE EUROPE *Research* *JLH*

RAD Background Report/299
(Hungary)
31 December 1983

HUNGARY IN 1983

by William F. Robinson

Summary: The past year has been a difficult one for Hungarians at all levels of society. The economy, in particular, performed poorly, and the decibel level of dissent rose, bringing in its wake a series of punitive measures unprecedented since 1965. Economic ingenuity has not been lacking, however; and despite obvious domestic opposition to its plans, the party and state leadership appear determined to improve economic performance by a serious and thorough application of long dormant reform policies.

* * *

Although post-World War II Hungary has obviously undergone much worse periods, the year 1983 was definitely not a good one for this small East European nation -- at least not in comparison with the period of growing prosperity and rising expectations that began in 1966 and continued more or less unabated until the beginning of the present decade. The primary disappointment came in the economic sphere, where four setbacks created very serious problems.

First was the poor performance of industry, which, as a whole, failed to fulfill its production and export plans for the year and to achieve its modest planned contribution to the Net Material Product (a 1-2% increase). Indeed, the Central Statistical Office revealed that the output of industry in the first seven months of 1983 was generally identical to that of the same period in 1982, a year in which plan targets had also not been met. One reason for this, of course, was the difficulty in selling Hungarian products on the major markets of a hard-pressed world economy. The main reasons, however, are domestic in origin

and include severe import restrictions, inexcusably low productivity (on the average, half that of industrially developed countries), the continued production of obsolete products, the snail's pace at which the production structure is being overhauled, slow technological renovation, a weakly developed infrastructure, exceptionally long production times, organizational and managerial shortcomings, excessive use of energy and basic materials, and a system which, despite changes, still forces many enterprise managers to place such emphasis on political and personal gamesmanship that economic efficiency suffers as a result.

The second setback occurred in agriculture, normally the most productive, efficient, and profitable sector of the Hungarian economy. The third worst drought in the 20th century (only those in 1932 and 1952 were more devastating) destroyed 2,000,000 tons of grain crops and reduced the expected harvest of sugar beets, sunflowers, and potatoes by between 15% and 30%. This shortfall, if measured in forint, represents almost the entire growth in Hungary's Net National Product planned for this year, which was only a modest 0.5% to 1.0% to begin with. The reduction in output will also adversely affect the food industry throughout the first half of 1984, including production and export targets and people's income and earnings. Finally, it will reduce agriculture's expected hard currency export earnings in 1983 by between \$200,000,000 and \$300,000,000, placing a heavy burden on the country's balance of payments situation both this year and next.

As a direct result of the agricultural losses, a third set-back occurred: namely, a sudden, significant, and unplanned increase in consumer prices for a number of food items, including sugar, margarine, cooking oil, bread, and pastry. The increases, introduced on September 19, ranged from 10% to 23%. The last major round of price increases for a wide range of consumer goods and industrial and public services had taken place at the end of July 1982. Gasoline price increases averaging 20% then occurred in December 1982 (the second such increase in six months), followed in rapid succession by increases in the prices for automobiles, tea bags and spices, hosiery, construction materials, and certain medicines. Ship fares on the Danube and Lake Balaton were raised by 40-60% in April, and the new, often substantial, rent increases announced last year took effect on July 1. Between January and July 1983 the consumer price index rose by 8.2%, which was in accordance with the plan; but after the new price hikes, the country's inflation rate will most probably be higher, and the reduction in real income of between 1.5% and 2.0% planned for 1983 will probably exceed those limits. Needless to say, those with large families or fixed incomes will suffer the most.

The fourth and last major setback for the Hungarian economy is connected with both the drought and the country's poor industrial performance. It concerns Hungary's international solvency

and specifically its ability to continue servicing its large medium- and long-term hard currency debts on time, the overwhelming proportion of which have been contracted with Western, Japanese, and Middle East banks and banking consortia. Budapest had hoped that it could achieve a foreign trade surplus of \$700,000,000 to \$800,000,000 in 1983 and with this money reduce its net foreign debts to about \$6,100 million by the beginning of 1984. It is now likely, however, that the surplus will only be in the range of \$400,000,000 to \$450,000,000; and if the current accounts balance (which covers services as well as goods exchanges) is adverse, then the country could once again face a crisis as it did in 1982.

The government wishes, at almost any cost, to avoid re-scheduling its debts, not only because this would be a very expensive step but also because it would deal a hard blow to Hungary's financial reputation and credit rating on the international money market. It is quite likely, in fact, that the recent introduction of higher bread prices, and the reduction of subsidies to agriculture were done precisely to help avoid this possibility. The higher bread prices will allow more grain to be diverted for export and for use as fodder in order to cushion the impact of this year's reduced grain and fodder production on Hungary's valuable hard-currency-earning meat and grain exports. It would seem, in fact, that the overall purpose of the price increases is to reduce domestic consumption and to channel the commodities involved into hard-currency export markets, mainly in Western Europe, in order to keep Hungary solvent. Similarly, tax savings through the reduction of state subsidies could help balance the loss caused by the drought.

The NEM to the Rescue?

Unlike the reaction to the economic problems of the mid-1970s, which resulted in retrenchment, recentralization, and a freezing of the New Economic Mechanism (NEM), the authorities appear determined this time to cope with their difficulties by returning to the economic reform process, by expanding and developing the NEM, and by implementing many policies and principles that were always considered a part of the reform but were never, or only partially, put into practice. Decentralization and the elimination of huge conglomerates and vertical hierarchies, for example, have again emerged in Hungarian economic strategy as necessary methods for revitalizing the economy and creating truly competitive enterprises. The abolition of the branch ministries in 1980 to form a new, super-Ministry of Industry was part of this process, paradoxical as it may seem, because it went a long way toward breaking down the long-established bureaucratic links, influence peddling, and special client relationships that had existed between ministry chiefs and certain favored enterprises or managers. Likewise, a good number of trusts and large enterprises have been dissolved and broken down into smaller, independent units, which, it is expected, will be more flexible, efficient, and responsive to demand. Perhaps the most spectacular

example of this was the dissolution of the famed Csepel Iron and Metalworks on 1 July 1983 and its division into 15 separate units.

Another extension of the reform has occurred in the area of investments, where the government is trying to find new ways to free previously unproductive capital and put it to the most profitable use. Actually, this is a consequence of earlier decentralization, where enterprises were told to use their own funds for investment and make their own decisions. In many cases access to central, that is, budgetary, funds was greatly reduced or simply stopped. Under existing laws, this led to a situation in which the decentralization of decision-making was combined with strong prohibitions against the free movement of capital, an irrational set of circumstances that inevitably resulted in the egregiously inefficient use of investment capital. Realizing that this could not continue, the authorities began to experiment with new methods.

Although the beginning of the experiment can be traced to late 1981 and early 1982, it was only in 1983 that it picked up considerable momentum and seemed to become an accepted practice. The new methods consist of issuing both so-called "communal bonds," to help develop local infrastructures, and development bonds, to finance the commercial projects of industrial trusts and enterprises. Such bonds pay interest from 20-100% higher than the National Savings Bank (SNB) and can be sold on a secondary market. Any capital gain realized on such sales is tax-free, sometimes up to the face value of the bond and sometimes entirely. The bonds can be issued by local councils in conjunction with the NSB and by the enterprises and trusts themselves. In some instances they may be subscribed to only by financial institutions and economic organizations; in other instances subscriptions are also accepted from private individuals, who, since 1981, have also been allowed to invest a limited amount of their own money in a small enterprise or cooperative.

The issuance of bonds cannot simply be regarded as an experiment or an ad hoc policy, however expedient they may be in a time of investment difficulty. This is because the course of the reform is such that one change may well demand another if the government is to avoid even worse problems. The bond scheme is a necessary first step toward freeing the movement of capital. The issuance of these financial instruments will in turn demand an organized market, and if they are to succeed, enterprises and cooperatives must be allowed considerable freedom of investment. In this respect the bond experiments could herald a considerable step forward on the officially proclaimed path toward more indirect control of the economy through prices and interest.

Another major step and perhaps the most controversial, in the expansion and development of the NEM has been the considerable improvement in the lot of the private sector, especially new

measures to stimulate private initiative and create small enterprises. The regulations promoting this trend, it should be noted, do not provide for an increase in the private ownership of land, real estate, or productive means, but rather in the private or cooperative use of state-owned facilities. By the end of 1982, the first year in which the establishment of small business ventures had been allowed (aside from the existing complement of private artisans and retail traders operating under the old laws), approximately 6,000 had been started. Such businesses come in various administrative and legal forms -- small private firms, small cooperatives, so-called economic "work collectives" at the state enterprises, industrial and service cooperative branch groups, specialized branch groups, associations, private work collectives, and others. Whatever the form, however, they have several advantages. First, they have improved efficiency and quality in a number of limited but important areas and especially in the sector of consumer services. They are, in brief, much more responsive to demand. Second, they offer the potential to increase Hungary's hard-currency exports, and a special supporting network of commercial agents has been established to promote this end. Third, they legalize at least a portion of the underground economy, thus facilitating greater economic activity and providing potentially greater revenues for the tax office. Finally, they offer blue-collar workers for the first time the legal and administrative possibility to increase their standard of living through outside business activities, a possibility that the cooperative peasants have had for many years now.

Nevertheless, there is clearly opposition to the creation and operation of small enterprises using private initiative (as well as to other aspects of the NEM), both within the Hungarian Socialist Workers' Party (HSWP) and among the workers themselves, particularly those who still do not have the opportunity to take advantage of the new regulations and those (probably a good majority) still wedded to the idea of an egalitarian wage and income structure. This was confirmed by First Secretary Janos Kadar in his report to the April 12 meeting of the HSWP CC. According to Kadar, Western "propagandists" were asserting that "the Hungarians were applying capitalist methods in the economic field." The "same question," he said, "is being asked with good intentions, albeit with a certain anxiety on our side, in our society and party, that is, whether we are applying capitalist methods instead of socialist ones."¹ Less than three weeks later Prime Minister Gyorgy Lazar was even more candid on the subject. Because of the "many erroneous and even contradictory opinions about small enterprises," he felt it necessary to state the following:

There are some people who say that the new entrepreneurial forms work at cross-purposes to our socialist goals. . . . This view is incorrect. One must learn to live together with [these] new. . . forms because they have proved their profitability to both society and the individual.²

Despite such opposition, the top party and government leadership appears determined to continue developing the NEM, even when this involves sometimes unusual, if relatively ingenious, methods that strike many as unorthodox for a communist country. Although refusing to sanctify what is sometimes called a "reform of the reform," meaning radical changes involving an almost complete elimination of official interference in economic affairs and the creation of a completely new mechanism, the leadership seems genuinely convinced that a serious and thorough application of the NEM's original principles is the only way to solve the country's economic difficulties.

This conviction may, in fact, be closely connected with the replacement of Sandor Gaspar as Secretary-General of the National Trade Union Council (NTUC) on December 9. Gaspar, a Politburo member since 1962 and head of the Hungarian trade unions since 1965, had built up a wide power base and may even have entertained the notion of replacing the current Prime Minister, who is not in good health. As NTUC Secretary-General, Gaspar favored strong unions with shop stewards sharing power with party officials and acted, more than any other East European labor chief, as a spokesman for his constituency in the halls of party power. His removal came in a year during which various unions had expressed differences more openly than before with government policies on wages and prices. Since, on the whole, trade union members favor egalitarianism, job security and social welfare, this ran counter to the leadership's renewed and more vigorous drive for economic efficiency, differentiated wages based on performance, a regrouping of manpower, liquidation of unprofitable enterprises, and the austerity and sometimes jarring methods necessary to reach such goals, including the stagnation and even reduction of the living standard. Gaspar's replacement, Lajos Mehes, on the other hand, was the first head of the new Ministry of Industry, whose creation was definitely meant to foster the reform process.

Hungary No Longer Immune to Dissent

Although Hungary continues to enjoy basic political stability, the past year has provided further evidence that dissatisfaction is growing among a limited segment of the population over certain political, cultural, and social issues. In addition to the continued recalcitrance of the basic Church communities, especially over their advocacy of conscientious objection to military service, and the refusal of their most prominent leader, Father Gyorgy Bulanyi, to recant his views under pressure from the Hungarian Bench of Bishops, a new and independent peace movement has arisen whose activities have created obvious concern within the government and the party. Moreover, the continuing dispute between the cultural authorities and The Young Writers' Circle (YWC) has become shrill and acrimonious owing to the dismissal of Ferenc Kulin as editor-in-chief of the nonconformist YWC monthly journal *Mozgo Vilag* [The Moving World] on October 1.

Protests over the Kulin-Mozgo Vilag affair have not been confined to the YWC, however. Students at various Hungarian universities circulated a petition condemning the authorities' actions and demanding Kulin's reinstatement. The petition, which contained several hundred signatures gathered under sometimes difficult conditions, was presented to Deputy Minister of Culture Dezso Toth by the students of Lorand Eotvos University's Law School on October 28 during a heated, two-and-a-half-hour debate on the subject. Evidence appearing in the Hungarian press in 1983 shows that the majority of the members of the Writers' Union itself, although in no way publicly supporting the YWC, are also in strong disagreement with current cultural policies and restrictions and are in an angry, restive mood. To all of this must be added the continued activities of Hungary's small group of openly proclaimed dissenters, who not only write, collect, publish, and distribute (at home and abroad) samizdat articles, pamphlets, and books, but also, much to the government's embarrassment, undertake private initiatives, such as benefit concerts, to raise money for the country's poor and needy, who comprise 10-20% of the entire population.

The authorities have responded to these developments with a harder line, systematic harassment, and a series of punitive measures unprecedented since 1965. In addition to the dismissal of Kulin and attempts to replace the entire editorial board of Mozgo Vilag, for example, Sandor Csoori, one of Hungary's most prominent writers, was placed on the "consultation list," which effectively prohibits him from publishing his works except for poetry. After initial, unsuccessful attempts to persuade the main independent peace organization, The Peace Group for Dialogue, to merge with the officially sponsored National Peace Council, the Dialogue group was so obstructed and restricted in its activities that it dissolved itself as a structured, hierarchical organization, while pledging, however, to continue the fight for its goals and ideals as an amorphous general movement. On September 1 a new antisamizdat decree went into effect, increasing the fines up to 10,000 forint for printing and distributing samizdat material. This followed the closing of Laszlo Rajk's openly operated samizdat "boutique" in May and was probably prompted by the lawmakers' fears that there would be an increase in the underground circulation of samizdat materials as a result of the closing.

Aside from many vitriolic articles in the official press containing both veiled and open threats against those opposing party and government policy and those demanding a greater measure of autonomy and pluralism and the right to create organizations that are not subject to the direct tutelage of the authorities, another tactic now being employed to discourage dissent is direct action by the police. The ABC Bulletin, a samizdat newspaper reporting on nationality affairs, for example, had its third issue confiscated and further publication stopped altogether. The closing of the Rajk samizdat "boutique" has already been mentioned, but the police have continued throughout the year to

raid the homes of various dissidents, conducting searches and confiscating manuscripts, printing equipment, and copies of Beszelo, Hungary's main samizdat periodical, a publication they still do not seem to have suppressed completely. Dissidents, in fact, have complained about their increasing harassment by the police on the streets of Budapest. Some claim that they have been followed, others that they have been beaten, and the Jewish members of the opposition that they have been subjected to anti-Semitic insults by the police.

In another incident, Rajk and Gabor Demszky, head of the independent AB Publishing House, were stopped for what appeared to be a routine traffic check but were then ordered out of their car at gunpoint and taken to the police station for questioning until the early hours of the morning. In a later and even more spectacular incident, Demszky was tear-gassed and beaten unconscious by two policemen when he objected to their searching through his private letters. To add insult to injury, Demszky was subsequently convicted of assaulting a police officer, given a six-month suspended sentence, and placed on three years probation. According to a UPI dispatch of December 10, Demszky said that the police had recently brought charges against a number of Hungarian intellectuals and that the situation was getting "worse and worse" every month.

The reasons for the government's increasingly harsher crackdown are not too hard to fathom. First, Mozgo Vilag and many of the articles appearing in samizdat form devoted much space and discussion to the issue of the Hungarian minorities in Romania and Czechoslovakia. This issue and the whole matter of nationalism and traditional national antipathies are highly sensitive and even politically explosive topics in Hungary. The extremely frank and oftentimes angry treatment of the subject in publications of relatively wide circulation and easy access is something that the Kadar regime feels it cannot tolerate, for both domestic and foreign policy reasons.

Second, it is possible that the government feared that certain dissident ideas might gain in popularity, especially now when economic difficulties have led to the introduction of a number of unpopular measures and a decline in living standards. The authorities certainly do not want the currently tiny number of dissenters to gain significant support from wider segments of the public. The minorities question itself poses a considerable danger in this regard, since it could easily make the dissidents popular with the not inconsiderable number of people who feel that the government is evading an issue that greatly concerns them.

Third, independent peace movements that tend to place the blame for the arms race and international tensions equally on East and West and sometimes have the temerity to voice specific criticisms of Moscow itself obviously cannot be tolerated. The same may be said of articles that question the right of the party

to interfere in the affairs of other organizations. These clearly go beyond the (sometimes vague) limits set by the Soviet Union for the behavior of its Warsaw pact allies.

Perhaps the weightiest and most explicit reasons, however, can be found in statements made by Janos Kadar and Deputy Minister of Culture Dezso Toth. Speaking at the April CC plenum, Kadar noted the existence in Hungarian society of a "certain oppositional, and in some places even hostile movement which is given daily support by the radio stations and other propaganda outlets financed by the imperialists."

These elements have of late become somewhat more aggressive. Some would like to be legalized in order to gain a forum. . . . In our country, the [existing] social movements provide a wide range of opportunities. . . but we will not legalize hostile endeavors either in the framework of the [Patriotic] People's Front or of the peace movement or in any other area and will not tolerate the establishment of bases of opposition [to party authority].³

In an interview with the literary weekly *Elet es Irodalom* [Life and Literature] on September 23, Deputy Culture Minister Toth expressed similar sentiments, albeit in a somewhat different manner. Speaking about the need to suppress "undesirable views" in the country's cultural life, Toth said that a compromise in this sphere would mean that such views would sooner or later, acquire their "own" organ of publication and achieve a presence and influence out of proportion to their weight and role in society. Regardless of intent, he said, such a group would also necessarily develop its own political platform with its own institutional representation. Thus, he concluded, ultimately a "politically pluralized literary life" would confront a society that was organized on the "basis of the popular front and of a policy of [class] alliance." The party's real fear of the emergence of some sort of organized opposition clearly comes through in statements such as these.

Foreign Affairs

Although Hungary continues, as always, to be a faithful and reliable supporter of Soviet foreign policy, the year did contain some interesting developments with regard to the country's foreign relations. Of great importance in this respect was the official visit in July of a Hungarian party and state delegation to the USSR -- the first such trip since 1974. The delegation was led by Kadar himself and engaged in the broadest and most extensive Soviet-Hungarian discussions since Yuri Andropov became General Secretary of the CPSU upon the death of Leonid Brezhnev in November 1982. The visit confirmed the Soviet party's continued interest in the possible application of certain Hungarian economic methods in the USSR itself and elicited a cautious and

indirect recognition and endorsement by the new Soviet leadership of the policies pursued by the Kadar regime in Hungary, including a number of aspects of the NEM. All in all, the visit seemed to be a personal success for Kadar, who had succeeded in the past in establishing good relations with Khrushchev and Brezhnev and now seems to have solidified his relations with Andropov.

Another significant feature of Hungary's foreign relations in 1983 has been the vigorous pursuit of contacts with the West, including active participation in the IMF and World Bank, despite the poor state of Soviet-US relations, the increase in international tension, and the intensification of the arms race. Of special note in this regard has been the growing traffic between Washington and Budapest and the improvement in relations between the two governments. In September, for example, Foreign Minister Peter Varkonyi visited Washington at the invitation of Secretary of State George Schultz. This was the first time that a Hungarian Foreign Minister had ever paid an official visit to the American capital. While Varkonyi was in the US, American Vice-President George Bush, the highest-ranking American official ever to visit Hungary, arrived in Budapest. Both visits were regarded as highly successful. In addition to these developments, Hungarian Deputy Prime Minister Jozsef Marjai has been acting as an emissary to the West on behalf of his government. Among other countries, Marjai has traveled to the United States, Great Britain, the Federal Republic of Germany, and Italy during the year. It is most probable that these trips paved the way for visits to Hungary in early 1984 of British Prime Minister Margaret Thatcher, West German Chancellor Helmut Kohl, and Italian Prime Minister Bettino Craxi.

One final development that should be mentioned in the foreign relations field is the resurgence of open Hungarian-Romanian polemics over Transylvania and the rights of the large Hungarian minority in Romania. This follows a sharp dispute over the same issue in the spring of 1982 and was occasioned by the nature of some of the speeches and articles in the Romanian media celebrating the 65th anniversary of the incorporation of Transylvania and the Banat into the Romanian state on 1 December 1918. Such polemics, of course, not only revive old historical arguments and focus attention on the perennial disagreement between the two governments but also tend to fan national animosities between the two nationalities involved. Although official Hungarian policy has traditionally been one of avoiding public involvement in the matter, the government realizes the deep concern of its people over the issue and the fact that they expect the authorities to represent them effectively in finding a solution to the problem. Personal diplomacy over the last decade, however, has obviously failed to find that solution, despite the involvement of such high-ranking officials as the two party First Secretaries, the two Prime Ministers, the Foreign Ministers, and various CC Secretaries. Probably as a result of this failure and the perception that the public must be placated to some degree,

more discussion of the issue has been permitted at selected forums and a limited number of replies to Romanian comments have been allowed in the party and official press.

On the whole, then, the past year has been a difficult one for Hungary and the Hungarian leadership. The country's determination to cope with and eventually overcome its difficulties, however, does not appear to have weakened. Whether Budapest's active foreign policy and economic ingenuity will be successful in this regard is, of course, an open question. Similarly problematic is the ability of the party and government to come to some sort of reasonable reconciliation with those who strongly differ with official policy, especially the growing numbers of those for whom the 1956 Revolution and the societal compromises made in its wake are now merely historical events with no particular relevancy to the current situation.

* * *

- 1 *Partelet*, May 1983.
- 2 *Naplo*, (Veszprem), 1 May 1983.
- 3 *Partelet*, May 1983.

- end -

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TO PRIORITY FCO

TELEGRAM NUMBER 1160 OF 22 DECEMBER

INFO PRIORITY BUDAPEST, MOSCOW, ROME, UKDEL NATO, WASHINGTON
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pa
Dals
22/12

HUNGARIAN FOREIGN MINISTER'S VISIT TO BONN: 20-21 DECEMBER

SUMMARY

1. THE SIGNIFICANT POINTS FROM VARKONYI'S MEETINGS WITH KOHL AND GENSCHER WERE THAT:

(A) HE ASKED THAT KOHL'S VISIT TO BUDAPEST, FORESEEN FOR MARCH 1984, BE POSTPONED BECAUSE OF THE BRITISH AND ITALIAN PRIME MINISTERS' VISITS. KOHL AGREED AND SUGGESTED JUNE. WHILE VARKONYI DID NOT SAY THAT THIS CHANGE WOULD HAVE POLITICAL AS WELL AS TIMETABLE ADVANTAGES, THE GERMANS ASSUME THIS TO BE THE CASE.

(B) VARKONYI'S REMARKS ABOUT INF STATIONING WERE PREEMPTORY AND APPARENTLY FOR THE RECORD.

(C) HE TOLD GENSCHER THAT THE HUNGARIANS DID NOT LIKE IT WHEN POLITICIANS AND THE MEDIA IN THE WEST DESCRIBED THEM AS MORE FLEXIBLE THAN OTHERS IN THE WARSAW PACT.

(D) VARKONYI MADE PRETTY CLEAR THAT HE WOULD ATTEND THE OPENING OF CDE, AND THE GERMANS DEDUCE FROM THIS THAT GROMYKO IS VERY LIKELY TO DO THE SAME.

(E) VARKONYI INDICATED THAT THE PROPOSALS IN THE PRAGUE DECLARATION WOULD BE PUT FORWARD BY THE WARSAW PACT AT CDE.

DETAIL

2. PFEFFER, POLITICAL DIRECTOR IN THE AUSWAERTIGES AMT, BRIEFED EMBASSIES OF THE TEN TODAY.

3. THE GERMANS ARE PLEASED THAT THIS ONE-DAY VISIT, WHICH PASSED IN A WARM ATMOSPHERE, SEEMED TO DEMONSTRATE THAT FRUITFUL CONTACT CAN IN PRESENT CIRCUMSTANCES BE PURSUED WITH AT LEAST SOME WARSAW PACT COUNTRIES.

4. THE MEETING WITH GENSCHER LASTED 1 3/4 HOURS. GENSCHER BEGAN BY SAYING THAT THE VISIT WAS PART OF A CONTINUING PATTERN OF EAST/WEST CONTACTS AND A DEMONSTRATION THAT EAST/WEST RELATIONS WERE NOT CONCERNED ONLY WITH NUCLEAR WEAPONS. HE NOTED THAT THE SCOPE FOR TRADE, THE ABSENCE OF BILATERAL PROBLEMS AND THE INTEREST WITH WHICH HUNGARIAN ECONOMIC POLICY WAS FOLLOWED IN THE FRG. VARKONYI REPLIED THAT THE GERMAN AND HUNGARIAN FOREIGN MINISTERS SHOULD MEET EACH YEAR AND INVITED GENSCHER TO VISIT BUDAPEST (THE GERMANS INTERPRET THIS REMARK AS INDICATING THAT IN HUNGARIAN EYES THE

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/PRESENT

PRESENT VISIT WAS ONE OF A REGULAR SERIES, RATHER THAN A SPECIAL OCCASION). VARKONYI CONTINUED THAT BILATERAL RELATIONS HAD NOT DETERIORATED IN THE PAST TWO YEARS AND THAT THIS WAS A POSITIVE FACTOR. ADOPTING A SERIOUS LOOK, HE SAID THAT HUNGARY DISAPPROVED OF INF STATIONING, WHICH HAD MADE THE EUROPEAN AND WORLD SITUATION WORSE. EVERYONE SHOULD DO EVERYTHING POSSIBLE TO GET BACK TO DETENTE. BILATERAL RELATIONS AND ALSO CERTAIN SPECIFIC EUROPEAN INTERESTS MUST BE MAINTAINED DESPITE THE COOLNESS OF EAST/WEST RELATIONS. THIS COULD BE DONE WITHOUT PARTICULAR PUBLICITY OR FANFARE.

5. GENSCHER REPLIED THAT HE EXPECTED THE SOVIET UNION IN DUE COURSE TO RETURN TO ARMS CONTROL NEGOTIATIONS, AND TO DISCUSS INF IN THE EXISTING FORUM OR ANOTHER. THE CONTINUING PROCESS OF CSCE SHOULD BE DEVELOPED IN ALL ITS ASPECTS. THE RECENT NATO DECLARATION HAD STRESSED READINESS FOR ALL TYPES OF EAST/WEST COOPERATION. GENSCHER SAID THAT HE REALISED THAT THE SOVIET UNION MUST HAVE MANY THINGS TO CONSIDER IN THE EAST/WEST FIELD AT PRESENT: SHE SHOULD NOT UNDERESTIMATE THE KEENNESS OF THE WEST TO NEGOTIATE. HE DESCRIBED THE FRG'S EFFORTS TO IMPROVE GERMANY-GERMAN RELATIONS AS BEING IN THE INTEREST OF EVERYONE WHO WANTED TO OVERCOME THE DIVISION OF EUROPE.

6. PRESSED TO SAY WHETHER WARSAW PACT FOREIGN MINISTERS WOULD ATTEND THE OPENING OF CDE, VARKONYI REPLIED THAT HIS PERSONAL VIEW WAS THAT THEY SHOULD, AND THAT HE HAD ALREADY TOLD HIS WIFE TO DO THE PACKING. HE RECALLED THE PRAGUE DECLARATION AND REHEARSED THE PROPOSALS IN IT, STRESSING RENUNCIATION OF THE USE OF FORCE.

7. VARKONYI ENGAGED IN LENGTHY CRITICISM OF ALLEGED AMERICAN UNRELIABILITY. HE SAID THAT WHEN SHULTZ HAD TOLD HIM THAT THE AMERICANS WERE FRUSTRATED BY THE LACK OF SOVIET RESPONSE TO US PROPOSALS IN ARMS CONTROL, HE HAD REPLIED THAT THE RUSSIANS WERE FRUSTRATED BY THE LACK OF US RESPONSE TO THEIR PROPOSALS.

8. VARKONYI DID NOT RAISE HUNGARY/EC. THIS SURPRISED THE GERMANS. BUT THEY THINK THAT THE HUNGARIANS MAY HAVE WANTED TO REST ON WHAT DEPUTY PRIME MINISTER MARJAH SAID WHEN HE VISITED THE FRG IN OCTOBER (MRS LESLIE'S LETTER OF 28 OCTOBER).

FCO PLEASE PASS TO ALL SAVING ADDRESSEES

(REPEATED AS REQUESTED)

TAYLOR
STANDARD
DEFENCE.D.
CABINET OFFICE

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No. 10 DOWNING STREET

2
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**THIS TELEGRAM
WAS NOT
ADVANCED**

Lazar

Toast

by

Mr. GYÖRGY LÁZAR

Chairman of the Council of
Ministers

September 19, 1983.

Dear Mr. Vice President,

Dear Mrs. Bush,

Dear Guests,

I welcome you all on behalf of our Government, that of my wife and myself. I am glad that you have accepted our invitation and wish you a pleasant stay in the Hungarian People's Republic.

Your visit, Mr. Vice President, is an important landmark in the development of our relations with the United States of America. The mere fact of our talks exemplifies in itself the necessity and viability of a dialogue between countries with different social systems, between small and big states, even in an international situation fraught with tensions. Personal contacts are meaningful and worthy if we strive not for making conflicts more acute but for a better understanding of each other, if we concentrate our attention on what is mutually advantageous for our peoples and countries and what is for the benefit of all mankind.

Nowadays the relationship between the Hungarian People's Republic and the United States of America is normalized, our bilateral relations are not burdened with pending problems. We consider this fact a result of mutual efforts made by the two Governments, which merits appreciation.

We wish to continue to maintain balanced and correct relations with the United States. The social systems and many other characteristics of our countries differ. We belong to different alliance systems, we hold divergent views on several important issues, our actions are governed by different aspirations. It is our conviction that even so, even in such circumstances, our interests meet or are reconcilable in several areas and if mutual good intentions and the will are there, we can considerably develop and expand cooperation between our two countries.

Our people is aware that the United States has given a home for hundreds of thousands of Hungarians in the nineteenth and twentieth centuries. It is also remembered that the predominant majority has acquired, as law abiding citizens, recognition through their work. Please do not take it as immodesty when I make special mention of those of our compatriots, outstanding experts and other personalities who, by their expertise have contributed to the enrichment of the economy and cultural values of the United States, who, with their talent, have proven themselves worthy of the highest scientific and other decorations.

Mr. Vice President,

During our talks today, when we have taken note with satisfaction of the achievements in the development of our relations, we have also examined the possibilities of further development which have not yet been satisfactorily utilized.

I think you will agree with me that we should do more first of all to develop our economic cooperation, because there is a lot to make up for in this field. The level of our trade, our cooperation in joint ventures lag behind possibilities. We, on our part, are ready to make further efforts to enliven our economic and financial relations which hold out the promise of mutual advantages for our countries.

We consider the development of relations and their elevation to a higher level useful and justified in other areas, too. We believe that the extension of scientific and cultural cooperation as well as of human contacts is for the benefit of both nations and it contributes to the all too necessary improvement of the international atmosphere and understanding.

Mr. Vice President,

Speaking of the international situation I must frankly say that the growing danger of confrontation and the intensification of the arms race fill us with anxiety. It is our view that the unchecked increase of armaments, while tying down enormous resources and placing great burdens on all countries, does not increase, but on the contrary, gravely threatens the security of peoples and the peaceful future of mankind. We consider it an elementary interest to halt, through joint efforts, the processes threatening with unforeseeable consequences. We do not believe that there is a single responsible government in the world which would want to trigger a thermonuclear catastrophe. Starting from this we hold that all disputed questions and conflicts, even grave and

longstanding ones, can and must be settled by peaceful means, through negotiations.

We, Hungarians live in Europe. During the nearly four decades since the Second World War the expertise and diligent work of our people has overcome centuries old backwardness inherited from the past and has fundamentally transformed the socio-economic profile of our country. Every honest citizen enjoys equal rights in Hungary, their security of existence is ensured, creative work can unfold unrestrained, the values of knowledge and culture have become public treasure. Our people values and appreciates our achievements and wishes to continue to pursue the path it has chosen. At the same time they are aware that there is one indispensable precondition for the continuation of our work to build the country, and that is: peace. Thus, we are particularly strongly affected by the developments of the European situation and by all events which influence the present and the future of our continent.

It is on our continent that the two mightiest armed forces of the world face each other, where a new round of the arms race threatens with the gravest consequences. Our Government, in accordance with the desires of our people, takes a stand for stopping the arms race and aspires to see that no nuclear weapons be deployed in countries where there are no such weapons yet and that the quantities be not increased where they are present already.

We sincerely wish to see the Soviet-American negotiations in Geneva produce results. In the framework of the Warsaw Treaty the Hungarian People's Republic is a co-author of the well-known proposals which envisage to maintain the

military balance at the lowest possible level of armaments. These are standing proposals, it is our conviction that they are fair and are certainly suitable to serve as grounds for substantive negotiations.

We attach great importance to and welcome the results of the Madrid Meeting. We have accepted and fully stand by the contents of the Concluding Document. It is our conviction that the agreements, particularly the convening of the conference on confidence-and security-building measures and disarmament in Europe will facilitate the furtherance of the Helsinki process. We hold that there is no other reasonable possibility than to continue in the spirit of Helsinki. We do hope that East-West relations will return to this path.

I can assure you, Mr. Vice President, that the Hungarian Government-within its modest possibilities-is led by the sincere desire to widen international cooperation. The Hungarian People's Republic has been and will be a credible and predictable member of the community of nations and a reliable partner in interstate relations. It is our fundamental national interest to fulfil completely our obligations voluntarily undertaken in our alliance and to preserve our openness towards the world; to cherish and nurture the bonds which even today tie us to many countries, the United States among them.

Mr. Vice President.

While I thank you once again for having accepted our invitation, I wish to express my hope that you will recall your days in Hungary as a pleasant experience.

It is in the spirit of these thoughts that I raise my glass to your health, that of your charming wife, your colleagues and all our esteemed guests, to the development of Hungarian-American relations and to peace.

27 JAN 1964

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BF

12 April 1983

Thank you for your letter of 5 April.

The Prime Minister would very much like to see you during your visit to London. We have set aside 1430 on Wednesday, 20 April for this purpose (but it ~~would~~ be as well to check with us nearer the time that we have not had to change this timing). I look forward to seeing you.

AJC

His Excellency Mr. B.G. Cartledge, CMG.

R



10 DOWNING STREET

AJC

I had a further
word with P.G.
about Mrs. A. She
wd like to see
Bryan. 14.30 on
Wednesday 20:
I have told
Heads of Mission.

C.S.

12/4



10 DOWNING STREET

PRIME MINISTER

Apparently when you last saw Bryan Cartledge you told him to get in touch with you on his next visit. We have now heard that he will be in London between 18 and 21 April.

Assuming there is no Disarmament Debate next week would you be prepared to see Bryan after the CBI Dinner on 19 April?

E.S.

11 April, 1983

*That will be
very late.
ms*



RESTRICTED AND PERSONAL

Carlina

BRITISH EMBASSY

BUDAPEST

Ed. you pl. see whether the
P.R. still wants to see him and
if so let me have a time
(15 minutes is enough). A.J.C. $\frac{11}{4}$

5 April 1983

A J Coles Esq
Private Secretary to the Prime Minister
10 Downing Street
London SW1

Dear John,

1. We agreed last month that I would get in touch with you in advance of my next visit to London to find out whether the Prime Minister's suggestion that I might pay a brief call on her still stands and, if so, whether it can be fitted in.
2. I shall be in London (for the Eastern European Heads of Mission Conference) from 19 April (pm) until 21 April inclusive. If it does prove possible to find ten minutes in the diary during that period I shall naturally be delighted; if not, I shall of course understand. Perhaps you could let me know, either direct or through Heads of Mission Section, ideally before 19 April.

Yours ever,

Bryan

Bryan Cartledge

RESTRICTED AND PERSONAL



FILE

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10 DOWNING STREET

From the Private Secretary

28 March, 1983

HUNGARIAN DEPUTY PRIME MINISTER

I enclose a copy of a letter of thanks which Mr. Marjai has sent to the Prime Minister following his recent visit to the United Kingdom.

A. J. COLES

R. Bone, Esq.,
Foreign and Commonwealth Office

Deputy Chairman of the Council of Ministers
of the Hungarian People's Republic

PRIME MINISTER'S
PERSONAL MESSAGE
SERIAL No. T376/83

Budapest, March 23, 1983.

The Rt. Hon. Margaret Thatcher, M.P.
Prime Minister of the United Kingdom of
Great Britain and Northern Ireland

Prime Ministe

L O N D O N

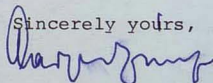
A. & C. $\frac{25}{3}$

mt

Dear Prime Minister,

I wish to express my sincere thanks to you for the excellent and eventful reception that your government accorded to me during my visit to the United Kingdom. I want to say special thanks to you for making our personal meeting possible. I highly appreciated the frank, open and pleasant atmosphere of our conversation and our substantive exchange of views on current political and economic issues and on our bilateral relations. I am convinced that my talks with the members of Her Majesty's Government have contributed to a better understanding between us and to the development of our relations.

I avail myself of this opportunity to remind you of your standing invitation to visit Hungary which, upon your encouraging remarks, we are looking forward to be realized soon. Allow me to wish you success, good health and personal happiness in your responsible post.

Sincerely yours,


József Marjai

28 MAR 1983

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I am in receipt of your letter of the 11th March 1983 regarding the proposed extension of the existing contract for the supply of... I have no objection to the proposed extension of the contract for the supply of... and I am sure that the proposed extension will be to the benefit of both parties.

I will advise you of the progress of the proposed extension of the contract for the supply of... and I will be pleased to discuss the proposed extension with you at any time.

Yours faithfully,
[Signature]
[Name]

C

14 March 1983

Visit of the Hungarian Deputy Prime Minister

The Prime Minister was grateful for your letter of 11 March enclosing extracts from two speeches describing the Government of Hungary's views on the role of production units in the Hungarian economy.

JOHN COLES

Roger Bone, Esq.,
Foreign and Commonwealth Office.



Foreign and Commonwealth Office
London SW1A 2AH

Rankin

11 March, 1983

Dear Sir,

MB

Prime Minister

A.S.C. 4/3

Visit of the Hungarian Deputy Prime Minister, Mr Marjai

During the call by the Hungarian Deputy Prime Minister on 8 March the Prime Minister said that she would be interested to read any speeches setting out the Hungarian government's view that production units have to work on the basis of the laws of the market. As examples of this, I enclose extracts from two speeches made in September 1982. The first is by Mr Marjai himself, and the second by Ferenc Ravasi, a Secretary of the Central Committee of the Hungarian Socialist Workers (ie Communist) Party, who is also a major force in economic policy making.

Yours ever,

(R B Bone)
Private Secretary

A J Coles Esq
Private Secretary
10 Downing Street

Extract from speech by Mr József Marjai in Pécs on 4 September 1982 (the text was carried in the newspaper 'MAGYAR HIRLAP' on 9 September 1982)

'We have not suspended or given up the principles of economic management and reform. They have to be asserted consistently and firmly and should be further developed in the same direction. They should continue to serve the nation's efforts as they have done for more than a decade. In accordance with the economic reform, spontaneous and responsible activity that produces surplus value should be given full latitude and more independence than before. It is indispensable for wages and salaries to be in accordance with possibilities and with real, marketable and useful surplus output in order to avoid unpleasant rectifications during the year. Management organisation and economic regulations should offer greater differentiation. More remuneration should be given to workers who produce more value for the use of the community, and to individuals and collectives that make greater effort. Wider opportunities should be granted to workers and collectives who are able to do more in the long term.

Enterprises should be given full autonomy in this direction. A lot remains to be done for the realisation of these aims. Restrictions and intervention should be made - but firmly and without delay - where and when this principle is ignored. I should like to emphasise that enterprises, jobs and activities that consume the national income and cannot turn out rational value or manage successfully, should be restricted, phased out and closed down. The means of production and the labour force could then be redeployed to efficient, dynamic and essential sectors because prosperous and promising enterprises are operating with inadequate means and personnel.'

Extract from speech by Mr Ferenc Havasi in Budapest on 13 September 1982 (text carried in the Party newspaper, 'NEPSZABADSAG', on 14 September 1982)

'The proportionate rewarding of performances has to become an important element of our living standard policy; we have to grant higher financial rewards for those who perform more and in a better way.'

Hungary
Feb-81, 81
UK/Hungarian
Relations

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17 MAR 1981

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Hungary
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RECORD OF A DISCUSSION BETWEEN THE PRIME MINISTER AND THE DEPUTY
PRIME MINISTER OF HUNGARY AT 1100 HOURS ON TUESDAY 8 MARCH 1983
AT 10 DOWNING STREET

Present:

Prime Minister

Mr. Marjai

Mr. B.G. Cartledge

Dr. Banyasz

Mr. A.J. Coles

Interpreter

* * * * *

The Prime Minister said that she would be most interested to hear an account of the situation in Hungary, in particular of the economic problems and the economic policies of the Hungarian Government. We in the West had been glad to help with temporary financial problems.

Mr. Marjai said that he was most grateful for the arrangements made for his visit to Britain and he particularly appreciated his meeting with the Prime Minister. He wished to convey the best regards of the Government of Hungary and of the Hungarian Prime Minister. It was his duty to remind Mrs. Thatcher that she had an outstanding invitation to visit Hungary. Not only the Government but the Hungarian people would welcome such a visit. It was a fact that the Prime Minister was a very popular personality in Hungary.

The Prime Minister said that she was sorry that she had not been able to take up the invitation yet but she would hope to do so one day. A complicating factor at present was the prospect of elections though she did not know when these would take place.

Mr. Marjai said that he believed that the Prime Minister was aware of the broad features of Hungary's present policies. The Government had continued to pursue these even in the present unfavourable world economic and political situation. Hungary

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- 2 -

wished to remain open to the world. It was searching for specifically Hungarian solutions to its problems. With regard to the economy, the reform policy was being carried forward resolutely and consistently. In the coming months work would be completed on the elaboration of a concept which would encompass the Government's ideas for the future. This would be embodied in a public statement.

The Prime Minister asked how current policy differed from previous ones. Clearly, much depended on political factors. She understood that current policy was determined by the specific characteristics of the Hungarian situation. She was very interested in the Hungarian economic experiment and would be grateful for a description of its objectives and the proposed methods of implementation. She took it that the idea was to give people more freedom with respect to their working life. Mr. Marjai said that this was correct. It was difficult to break out from established modes of thinking. One of the fundamental features of current policy was to strengthen the independence of production units. The aim was to promote a greater variety of types of unit. Even now, when Socialist conditions prevailed, the variety was very considerable. The Government did not wish to manage and organise the economy. The intention was to work through economic means. The Prime Minister asked whether this was a reference to economic incentives. Mr. Marjai said that it was. Profit must be the incentive. It was not for the Government to hand out money. The Government did not have money. The Prime Minister commented that these remarks could have been made in one of her own speeches.

Mr. Marjai said that the Government wished to create conditions in which everyone strove for higher profits. Performance should be the determinant of profits. Production units had to work on the basis of the laws of the market. The Prime Minister said that she would be interested to read any speeches that had been made on this matter. Mr. Marjai said there was no concise summary of the policy at present. But as he had said there would probably be a public statement during the course of this year.

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He wished to repeat that the policy had been pursued even in the last two years of world economic crisis. The Government had pursued strongly the de-centralisation of enterprises. It had split up large enterprises which had enjoyed monopolistic conditions and had been created artificially in the earlier period. Strong support was given to medium-size and small enterprises in order to create better conditions for competition. For without competition, the laws of the market could not work. Further steps would be prepared on the assumption that the world economy would begin to improve. The opportunities for domestic competition must be strengthened and the obstacles gradually dissolved. A small country like Hungary needed to be more closely involved in the international division of labour. Hungary was fundamentally export oriented. Without exports, it was unable to develop. But that implied that the possibilities for import competition should be widened. It was vital that Hungary should live up to the standards of competition on both external and internal markets.

The Prime Minister said that she saw some signs of world economic recovery, particularly in the United States. A fall in oil prices would help, provided it was not too sudden. Where did Hungary obtain its oil from?

Mr. Marjai said that he agreed that Hungary's interest was that there should be no sudden change, either upwards or downwards, in oil prices. Nor was it in Hungary's interest that the oil producers should go through an economically difficult period, for the oil producers represented an export market. Most of Hungary's oil was imported from the Soviet Union. This was advantageous in terms of price and was physically simple in the sense that the oil came through pipelines.

The Prime Minister said that we were awaiting the decision of the current meeting of OPEC Ministers in London. We understood that Iran was the obstacle to agreement on a stable price for oil. Mr. Marjai commented that our two countries had a joint interest in oil price stability.

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- 4 -

The Prime Minister asked whether, from his time in Moscow, Mr. Marjai knew Andropov. Mr. Marjai said that he did. If the Prime Minister and Andropov were to meet, they would enjoy their talks. Andropov was intelligent and his range of knowledge was wide. On economic matters, the Prime Minister would probably have the advantage over him. It was possible to have frank and open discussion with him. One great advantage was that he listened to his partners, not just to his own voice. Hungary considered him a good choice for the leadership. It was to be hoped that he would be able to implement the things of which he was capable. But he faced serious international problems and complicated internal economic problems. The Prime Minister asked whether Andropov, given his background, would be able to contribute to the lessening of tension. Mr. Marjai said that it was necessary to recognise that there had grown up in the Soviet people a strong nationalistic feeling and a fear, based on historic experience, of attack from without.

Mr. Marjai said that in conclusion he wished to thank HMG for the understanding it had shown in the past difficult months, particularly over Hungary's request for links with the IMF. For Hungary to be able to continue with its current efforts it needed that support. It was not asking for special but normal treatment. The Prime Minister said that we had been glad to offer constructive help. We recognised what Hungary was trying to do.

The discussion ended at 1135.

A.J.C.

8 March 1983

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file hc Alan
Watters

JLH

10 DOWNING STREET

From the Private Secretary

8 March 1983

Dear Roger,

Visit of the Hungarian Deputy Prime Minister

The Deputy Prime Minister of Hungary called on the Prime Minister this morning. I enclose a record of the discussion.

I am copying this letter and enclosure to John Kerr (H.M. Treasury).

John Kerr

JLH

Roger Bone, Esq.,
Foreign and Commonwealth Office.

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Bre

PRIME MINISTER

Hungarian Deputy Prime Minister

His name is pronounced Moryoy.

Brian Cartledge, who will be attending, has told me that he thinks that what Mr. Marjai would really like is a good discussion about the role of the State in the economy. You could ask him to describe the Hungarian economic reform programme. Page 14 of this brief states that "Hungary's new economic mechanism is an ambitious programme to reform economic management, aiming to shift to a more market-orientated system based on world prices".

You should also be aware of Hungary's approach to us last year about the possibility of negotiating a trade agreement with the European Community (page 17 of the brief) - but he is unlikely to raise it because his Ambassador here and other officials accompanying him are not aware of this project.

Pages 5 - 7 of the brief contain some interesting notes on Marjai. He appears to have got his job because of speaking out of turn when Ambassador in Moscow. He has a reputation for vigorous defence of Hungary's national interests - and privately told Brian Cartledge last year that he supported our action over the Falklands.

A.J.C.

7 March 1983



Foreign and Commonwealth Office

London SW1A 2AH

4 March 1983

Joe Th...

Visit of Mr Marjai, Hungarian Deputy Prime Minister: 6-11 March

The Prime Minister has agreed to receive a call from Mr Marjai, Hungarian Deputy Prime Minister, at 11.00 am on Tuesday 8 March.

I enclose three sets of briefing for this call, including a short steering brief, personality notes and briefs on East/West relations, Hungary's economic situation and EC/Hungary relations.

Mr Marjai would like to be accompanied by his interpreter, Mr Banlaki, and the Hungarian Ambassador, Dr Banyasz. Our Ambassador in Budapest, Mr Cartledge, will also be available. Mr Joseph Simon will be present to interpret for the Prime Minister.

Yours faithfully,
R B Bone

(R B Bone)
Private Secretary

A J Coles Esq
10 Downing Street

VISIT OF MR JÓZSEF MARJAI, HUNGARIAN DEPUTY PRIME MINISTER:
6-11 MARCH 1983

Steering Brief

1. Mr Marjai (pronounced MÖRYOY) will call on the Prime Minister on Tuesday 8 March at 11.00 hours. He will be accompanied by the Hungarian Ambassador, Dr Banyasz and an interpreter, Dr Banlaki. Personality notes are attached. HM Ambassador at Budapest, Mr Bryan Cartledge, and a British interpreter, will also attend.

Purpose of the Visit

2. Mr Marjai's visit, of which the Secretary of State for Trade is formally the host, will symbolise British support for economic policies which differentiate Hungary from its CMEA partners. Mr Marjai is the driving force behind Hungary's economic reform and her attempt to become a full member of the international financial and trading community.

Recent Bilateral Visits

3. Inward - Mr Puja, Foreign Minister:
February 1982;

Dr Horn, Deputy Head of the International
Department of the Hungarian Socialist Workers
(ie Communist) Party: October 1982;

Mr Szarka, Deputy Foreign Minister: February
1983;

Mr Melega, Deputy Foreign Trade Minister;
February 1983;



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Outward - Lord Carrington: 1980
Mr Rifkind: June 1982
Mr Rees: October 1982

4. An invitation to the Prime Minister to visit Hungary was extended by Mr Lazar, the Hungarian Prime Minister, to Mr Wilson in 1975. This was renewed in 1982 by Mr Puja. The Prime Minister has decided against a visit to Hungary this year. The Foreign and Commonwealth Secretary may visit Hungary in the summer recess but this should not yet be mentioned to the Hungarians.

Internal Situation and Foreign Policy

5. The internal situation in Hungary is more relaxed than in any other Warsaw Pact country. But in foreign affairs the Hungarians adhere faithfully to the Soviet line, particularly where loyalty to the Soviet Union can be demonstrated without material cost to Hungarian national interests.

Objectives

6. The following are the UK and likely Hungarian objectives for Mr Marjai's visit to Britain:

UK

- (a) To demonstrate our encouragement for the more liberal economic policies which increasingly differentiate Hungary from its CMEA partners;
- (b) To give a boost to our trade prospects within the limits imposed by Hungary's present financial situation;



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- (c) To see how Mr Marjai views the prospects for further economic and political development in Hungary as well as in the CMEA.

Hungary

- (a) To lobby for financial support, promote Hungary's image as a worthwhile risk, and promote trade prospects;
- (b) To seek a sympathetic understanding of the aims of the Hungarian economic reform and to emphasise the distinctive character of Hungary;
- (c) To seek reassurance that HMG's policy of differentiation between Eastern European countries remains in force;
- (d) To pursue quietly and in strict confidence the possibility of a free trade agreement between Hungary and the EC.

Tactics

7. The Prime Minister may wish to ask Mr Marjai about Hungary's immediate and longer term economic prospects, and seek his assessment of Hungary's future role within the CMEA; as well as to ask whether Hungary's short term financial difficulties may impede the prosecution of the economic reform. Mr Marjai will probably seek an assurance of continuing British support for Hungary as a country which is endeavouring to safeguard and promote its particular national interest, despite the geographical and thus political handicaps under which it labours. He will be aware that Hungary's freedom of manoeuvre ultimately depends on the overall state of East-West relations; he will no

4.

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doubt be grateful for the Prime Minister's assessment of the present state of East-West relations. Mr Marjai has stressed that not everyone in his delegation is aware of the Hungarian initiative over a possible trade agreement with the EC (see separate brief on EC/Hungary relations). Unless Mr Marjai refers to it himself it would be preferable not to mention the subject.

8. Short briefs are attached on East-West economic relations, Hungary's economic situation and EC-Hungary relations

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Flag B

Flag C

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JÓZSEF MARJAI (MOR-YOY)

Deputy Prime Minister since April 1978 with responsibility for industry, agriculture and relations with Comecon. Member of the Central Committee, and of the Economic Policy Committee.

Born 1923. He entered the Foreign Service in 1948 and having been Chief of Protocol and Head of Political Guidance was promoted to the rank of Minister (Counsellor) in 1955. He served as Minister to Switzerland between 1956 and 1959, and as Ambassador to Czechoslovakia from 1959 to 1963. He returned to the Ministry of Foreign Affairs before being appointed Ambassador to Yugoslavia in 1966. He returned in 1970 to become Deputy Foreign Minister with responsibility for Western Europe, during which time he was host to Mr Anthony Royle, Parliamentary Under Secretary at the FCO. On the promotion of Puja to the rank of Minister in 1973, he was made State Secretary. In January 1974 he visited the Soviet Union and was received by Mr Kosygin. In December 1974 he was host to Mr Hattersley. He was elected a member of the Central Committee in July 1976 and appointed Ambassador in Moscow the next month. Received Lord Goronwy Roberts in September 1978, and Lord Limerick in May 1980.

Married with one son. He speaks German, some French, but no English.

(Edited extract from HM Ambassador Budapest's letter of 14 February 1983)

Marjai is something of an enigma. During his 30 years (1948-1978) as a career diplomat he does not seem to have made a very favourable or positive impression on Westerners. Former British Ambassadors have described him as, variously, 'a grey apparatchik', 'dowdy' and 'odd'. Other former

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Western Ambassadors to Hungary have expressed considerable surprise over Marjai's ascent to the top level of government, having regarded him as, at best, a dull if competent diplomat. The following account, from a good Hungarian source, of how Marjai came to be translated from a diplomatic career to politics and economic management goes some way towards explaining the paradox.

When Marjai was in his second year (1978) as Hungarian Ambassador in Moscow, having been elected to the Central Committee of the Party prior to taking up that appointment, he took part in the annual bilateral economic consultations for which, on this occasion, Deputy Prime Minister Gyula Szekei had come to the Soviet capital to lead the Hungarian delegation. The main item on the agenda was a Soviet proposal affecting Soviet/Hungarian trade which had been considered by the Economic Committee of the HSWP a few days earlier. Szekei's task was to break the news to Soviet comrades that their ideas had not found favour in Budapest: he told the Russians that the proposal had been rejected by the Hungarian leadership by 5 votes to 2 but then hastened to assure his Soviet hosts that he himself had been one of the two who had voted in favour. At this point, Ambassador Marjai cut Szekei short and told him in blunt terms that by disclosing the details of Party deliberations in Budapest he was violating Party rules and betraying the autonomy of the HSWP. The meeting apparently broke up in some confusion and shortly afterwards Marjai returned to Budapest, on his own initiative, in order to submit his resignation as Ambassador, assuming that after the scene in Moscow he would not in any case be allowed to remain there. Kádár's reaction, however, was to promote Marjai to the post of Deputy Prime Minister, in appreciation of his defence of Hungary's national interests, and to give him the very portfolio which up until then had been Szekei's.

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One of Marjai's distinctive characteristics is precisely his dogged championship of specifically Hungarian interests and the extent to which he views these in an historical perspective which goes back far beyond the Communist takeover in Hungary. He has, for example, spoken sympathetically of Count Bethlen, the reactionary but able Prime Minister of Hungary under Admiral Horthy from 1921-1931 who endeavoured, in the wake of the Treaty of Trianon, to retrieve Hungary's political fortunes by restoring the country's solvency and rebuilding its economy: in the event, he was scuppered by the crash of 1929/30 but there are intriguing parallels between Bethlen's skilful introduction of Hungary, via the League of Nations, into the international financial community in order to revitalise the economy with Western credits, and Hungary's recent admission to the IMF and current orientation of its trade towards Western markets. Marjai evidently respects the vigorous defence of their national interests by others: he made a point of expressing to our Ambassador privately in May last year, his support for HMG's action over the Falklands.

Marjai is a short, owlish man and in discussion has a rather disconcertingly throw-away style. He appreciates frank, straight-forward speaking and has little time for protocol or empty courtesies. He has a good, if slightly pawky, sense of humour and also, allegedly, a taste for the spicier kind of joke with which he is unlikely to be regaled in London. He is a chronic workaholic, harries his subordinates unmercifully (although he commands their profound respect) and is said to have a short temper.

Prime Minister Lázár has been ill and may resign quite soon. Marjai is the candidate most frequently mentioned as Lázár's probable successor although there is another school of thought, to which our Ambassador gives more credence, which considers Marjai too abrasive and impatient to be given the

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leadership of the Council of Ministers team. He would also be rather wasted in a job which carries with it a good deal of ceremonial chores and it is likely that he would rather retain his present responsibility for running the Hungarian economy.



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DR REZSO BANYASZ

Hungarian Ambassador in London


Born 1931

Graduated from Budapest University Faculty of Law in 1954: became Foreign Editor of "Magyar Ifjúság" and then "Nepszava" until he joined the MFA in 1961, working in the Press Department. Press Attache in Stockholm 1962-68, then Deputy Head and later Head of Press Department, MFA, 1968-72. Personally chosen by the Foreign Minister to be deputy Permanent Representative of Hungary to the United Nations 1972-76. Secretary of the Committee for European Security and Co-operation 1976-78. Deputy Head of the Hungarian Delegation at the Belgrade Conference. Head of Press Department, MFA from March 1978 until July 1981.

Married with two children. His wife speaks English; he speaks English, German and Swedish. A pleasant and helpful man, an active Head of Department and proving to be an energetic and constructive Ambassador.

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DR GYÖRGY BÁNLAKI (BANLOKI)

First Secretary, MFA

Born 1948

Attended Karl Marx University, Budapest 1967-71. Assistant UK Desk Officer 1971-72 and Private Secretary to the Hungarian Ambassador in London 1972-73. In Saigon (Secretary to the Hungarian Delegation in International Commission of Control) 1974-75. Returned to the Vth Department in the MFA 1975-77. Press Attache, Hungarian Embassy in London 1977-81, and now works on American Desk in the MFA. Interpreted for Mr Puja on his visits to London in 1977 and 1982 and for Lord Carrington in Hungary in October 1980. Married (his wife is Polish) with one daughter. Speaks excellent English and Russian.

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VISIT OF MR MARJAI, HUNGARIAN DEPUTY PRIME MINISTER:
6-11 MARCH

EAST/WEST ECONOMIC RELATIONS

Points to Make (Defensive)

1. (Effects of studies on Hungarian/Western trade?)
Wrong to predict outcome of studies, but would guess no dramatic changes likely in overall prospects for East/West trade. UK remains in favour of mutually beneficial trade within normal limits of commercial, financial and strategic prudence.
2. (Adverse effects on trade of tighter credit policies)
Credit terms set by OECD Export Credit Consensus. Next round of Consensus talks being held this month. Cannot predict results. But on recent revision of ECGD premium categories, can assure you no discrimination against Hungary. Revision has affected many countries and reflects present delicate market situation. Could be reversed if situation changes.

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VISIT OF MR MARJAI, HUNGARIAN DEPUTY PRIME MINISTER:
6-11 MARCH 1983

East/West Economic Relations

Essential Facts

1. Studies following up Summary of Conclusions now launched in NATO (Security Aspects of East/West Economic Relations), COCOM (Strategic Technology; and Other High Technology), and OECD (East/West Trade and Commercial Relations; and Energy Requirement Study). No proposals on harmonisation of credit policy towards USSR and Eastern Europe yet put forward by Americans.

2. Studies not a subject to raise with Hungarians, although we may need to reassure them should they express concern.

3. Hungarians long benefitted from large subsidies inherent in an OECD Export Credit Consensus interest rate lower than commercial interest available in UK. This now altered with lower UK commercial rates and an increased rate at OECD. Hungary also recently downgraded from ECGD premium Category B to Category C and may express concern at this.

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VISIT OF MR MARJAI, HUNGARIAN DEPUTY PRIME MINISTER:
6-11 MARCH 1983

Economic Situation

Points to Make

- 1. Congratulate Hungary on adopting responsible attitude toward overcoming debt problem. UK played its part in helping to raise loans through the BIS and encouraging rapid agreement between IMF and Hungary on membership and the 1982-83 programme. Hungary's reactions to the IMF programme?
- 2. Aware of Hungary's need to raise new loans in 1983. Cannot direct Banks: but Bank of England aware of political importance we attach to Hungary.
- 3. Is an early CMEA summit likely? Hungary's thoughts on evolution of economic relations with CMEA? Is IMF membership compatible in long run with present CMEA trade and payments arrangements?

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VISIT OF MR MARJAI, HUNGARIAN DEPUTY PRIME MINISTER:
6-11 MARCH 1983

Economic Situation

Essential Facts

1. Hungary, one of the most developed economies in Eastern Europe, depends heavily on trade, exporting almost two-fifths of her output. Trade is evenly divided between East and West, but depends crucially on USSR to supply her with oil and on West to supply manufactures.
2. Hungary's New Economic Mechanism is an ambitious programme to reform economic management aiming to shift to a more market-oriented system, based on world market prices. However, recent economic problems have restricted the Government's ability to press on with the reforms.
3. The economy ran into trouble in 1981-82 mainly due to Hungary's inability to raise new loans from Western banks and the withdrawal of credit by OPEC and CMEA lenders. Her external debt is nearly \$9bn, debt service takes one-third of convertible currency export earnings. Debt service obligations were met in 1982 only after Western governments intervened (offering short-term loans through the BIS, encouraging commercial banks to resume lending and agreeing to accept Hungary into the IMF and World Bank). Hungary quickly agreed an adjustment programme with the IMF and as a result will obtain up to \$580m from the IMF in 1982-83.
4. The Government's priority in 1983 is to improve the country's liquidity position and to maintain debt service payments. Other goals, notably the preservation of workers living standards, are subordinate to this. Need for austerity accepted: measure of consequent social unrest not excluded.

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5. Hungary will need to raise at least \$600m of new medium-term loans from Western banks in 1983. Early attempts to obtain new loans rejected (wrong banks approached, too soon): a more considered approach may have more success.

6. Hungary is a relatively small trading partner of the UK, taking 0.14% of our exports and supplying 0.09% of our imports in 1982.

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VISIT OF MR MARJAI, HUNGARIAN DEPUTY PRIME MINISTER:
6-11 MARCH 1983

EC/Hungary Relations (Defensive)

Points to Make

Possible EC/Hungary Trade Agreement (The Horn Approach: for use only if raised)

1. Interested to hear of this important approach. Welcome it but believe you will need now to obtain a greater level of interest from our partners whom you have approached. Know you are discussing it fully with Peter Rees and Malcolm Rifkind.

Possible EC/Hungary Agriculture Agreement

2. Community consideration of Hungarian requests has now begun. In general UK likely to have fewer problems than other Member States. If this is a priority for you, suggest you lobby in other EC capitals.

Concessions on Import Restrictions (including textiles)

3. Suggest you mention this to Peter Rees, though since it is a matter within Community competence, you will understand that he cannot negotiate. But must be remembered that economic situation in UK and other Member States remains difficult. Situation in UK textile industry particularly critical; over 180,000 jobs lost since the beginning of 1980.

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VISIT OF MR MARJAI, HUNGARIAN DEPUTY PRIME MINISTER:
6-11 MARCH 1983

EC/Hungary Relations

Essential Facts

Possible EC/Hungary Trade Agreement (the Horn approach)

1. In October 1982, Dr Horn, No.2 in the International Secretariat of the Hungarian Communist Party, told Mr Rifkind in a personal and confidential message to the Foreign and Commonwealth Secretary that Hungary was interested in negotiating a trade agreement with the EC, analogous to the EC/Austria agreement, providing for free trade in industrial products and as much as possible in improved access for agricultural products. This goes far beyond what the EC has hitherto been prepared to offer the CMEA countries. It is also much more than the EC has given Yugoslavia.

2. Knowledge of the Horn approach in Hungary is highly restricted: although Mr Marjai knows of it, the Hungarian Ambassador and the other officials accompanying him do not. It is therefore unlikely that he will raise it with the Prime Minister. We are making arrangements for him to speak privately to Mr Rifkind and Mr Rees about it on 8 March. The Hungarians are presenting the approach as having considerable political importance in terms of Hungarian relations with the West and the Soviet Union. But it poses substantial practical difficulties in present economic circumstances. They have treated it very confidentially, and have approached only the Germans, French and (recently) Italians to get a political feel as to whether there would be enough in what the Community could offer to justify launching a negotiation which would sour their relations

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with the Russians. Our partners have reacted with apparent indifference. Our objective therefore is to leave the Hungarians with a favourable impression of our attitude and to shift the focus of their attention to the French, Germans and Italians, whose lack of interest risks putting us in an exposed position.

Possible EC/Hungary Agriculture Agreement

3. The Hungarians have made a separate open approach to the Commission for liberalisation on trade in agricultural products. We have made clear to the Hungarians that their problems lie with other Member States.

Concessions on Import Restrictions

4. The UK, like other Member States, maintains quantitative restrictions on certain Hungarian products in sectors where our industry suffers acutely from low cost imports. Since external trade falls within Community competence (which the Hungarians, like other East Europeans, do not formally recognise) the quotas are regulated by the Commission in respect of individual Member States. Apart from steel and textiles, where Hungary has sectoral agreements with the EC, the restrictions are imposed by autonomous EC decision.

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Hungary

VISIT OF HIS EXCELLENCY MR JÓZSEF MARJAI
DEPUTY PRIME MINISTER OF THE HUNGARIAN PEOPLE'S REPUBLIC
6-11 MARCH 1983

ADMINISTRATIVE PLAN

SUNDAY 6 MARCH

Arrival

When the aircraft has landed a Representative of the British Airports Authority will escort the greeting party from the Hounslow Suite to the aircraft steps. The Hungarian Ambassador will board the aircraft and accompany the Deputy Prime Minister to the tarmac. There he will be welcomed by the Special Representative of the Secretary of State for Foreign and Commonwealth Affairs who will present the following (in order):

- Mr Ian Bruce - Department of Trade (and not Mr Pownall as in the printed programme) representing the Secretary of State for Trade
- Mr B G Cartledge - Her Majesty's Ambassador at Budapest
- Brigadier J A C Cowan - Secretary, Government Hospitality Fund
- Group Captain A O'Neill - Escort Officer, Government Hospitality Fund

The party will proceed to the Hounslow Suite where the Hungarian Ambassador will present the members of the official suite and his staff.

Interpreters

Dr Gyorgy Banlaki, First Secretary, Ministry of Foreign Affairs will interpret for the Deputy Prime Minister throughout the programme.

The Foreign and Commonwealth Office have engaged the services of Mr J Simon who will interpret at the following appointments:

MONDAY 7 MARCH

- Luncheon hosted by Mr Peter Rees at 1 Carlton Gardens.
- Talks with the Secretary of State for Trade
- Dinner hosted by Lord and Lady Cockfield at Lancaster House

TUESDAY 8 MARCH

Talks with the Secretary of State for Foreign and Commonwealth Affairs at the Foreign and Commonwealth Office.

- Call on the Prime Minister at No 10 Downing Street
- Call on the Chief Secretary at the Treasury

Transport

Cars are provided by Government Hospitality Fund throughout the visit and seating plans are shown at Appendix 1.

atre/Supper party :

All members of the official suite

WEDNESDAY 9 MARCH

Call on the Chairman Lloyds Bank .

Stock Exchange :

Call on the Lord Mayor of London at Mansion House .

All members of the Official Suite

Luncheon at London Chamber of Commerce and Industry :

to be announced

Call on the Governor of the Bank of England :

Meeting with Journalists :

All members of the official Suite

THURSDAY 10 MARCH

Visit to Shell International :

All members of the official Suite

Visit to Oxford :

All members of the official Suite

FRIDAY 11 MARCH

Meeting with Mr D Buchan of the Financial Times :

Meeting with Confederation of British Industry :

All members of the Official Suite.

Jane H. Reid

J H W Reid (Miss)

Visits Section

Protocol and Conference Department

Foreign & Commonwealth Office.

Telephone : 273 3582.

1 March 1983

Participation of Official Suite in Deputy Prime Minister's programme

His Excellency Dr Rezső Bányász, Hungarian Ambassador to London and Mr B G Cartledge, Her Majesty's Ambassador at Budapest will accompany His Excellency Mr Marjai throughout the programme.

The other members of the Official Suite as listed at page 1 of the printed programme will accompany His Excellency Mr Marjai as follows:

MONDAY 7 MARCH

Talks with the Secretary of State for Trade:

Meeting with Anglo-Hungarian Parliamentary Group:

Dinner hosted by Lord and Lady Cockfield at Lancaster House :

All members of the Official Suite

TUESDAY 8 MARCH

Talks with the Secretary of State for Foreign and Commonwealth Affairs :

All members of the Official Suite
(subject to confirmation)

Call on Prime Minister at No 10 Downing Street :

Dr G Banlaki (Interpreter)

Lloyds of London :

to be announced

Call on Chief Secretary to the Treasury :

Mr Q Czirjak

Dr G Banlaki (Interpreter) } (subject to confirmation)

Call on Director-General, National Economic Development Office :

DISTRIBUTION

10 Downing Street

Private Secretary (2)
Press Office (2)

Embassy of the Hungarian People's Republic (8)

Department of Trade

Private Secretary/Secretary of State for Trade (2)
Private Secretary/Minister of State (2)

H M Treasury

Private Secretary/Chief Secretary (2)

Foreign and Commonwealth Office

Private Secretary (2)
Private Secretary/Mr Rifkind (2)
Private Secretary /PUS (1)
Sir Julian Bullard (1)
Mr Goodison (1)
Mr Broomfield (1)
EESD (Mr Kelly) (6)
News Dept (3)
Resident Clerk (1)
PCD (4)
Mr Cartledge, Heads of Mission (1)
Heads of Mission Section (1)
Miss Lothian (1)

Government Hospitality Fund (12)

CAR SEATING PLANFrom Heathrow Airport to Hyde Park Hotel and Return

Car 1	Deputy Prime Minister Dr Bányász Dr Banlaki Escort Officer
Car 2	Ambassador Esztergalyos Mr Antalpeter Mr Cartledge
Car 3	Mr Czirjak Miss Erdei

The Escort Officer will allocate cars for other journeys as necessary

Hungary

vb

bc: Caroline Stephens

2 December 1982

Visit by the Hungarian Deputy Prime
Minister

Thank you for your letter of 1 December.
The Prime Minister is willing to see Mr. Marjai
and can do so at 0930 on Tuesday 8 March for
45 minutes.

AJC

Roger Bone, Esq.,
Foreign and Commonwealth Office.



Prime Minister

Foreign and Commonwealth Office

London SW1A 2AH

Agree to receive
Mr. Marjai for 45 minutes
at 0930 on Tuesday, 8 March?

1 December, 1982

A J. C. 1/11.

Joe John,

Yes mk

Visit by Mr Jozsef Marjai, Hungarian Deputy Prime Minister

Mr Marjai, a Hungarian Deputy Prime Minister, is visiting the UK next year as the guest of Lord Cockfield. March 7-11 have been suggested by the Department of Trade as possible dates.

Hungary is currently pursuing liberal economic reforms and has achieved the most market-orientated approach to economic management within the CMEA. Mr Marjai is the senior Hungarian Minister responsible for economic policy and is considered to be the driving force behind Hungary's efforts to become a full member of the international financial and trading communities. He is spoken of as a future Prime Minister, which is of some significance when the present Prime Minister is rumoured to suffer from ill-health.

Our policy is to differentiate in favour of those East European countries showing the greater independence of action. Mr Marjai's visit will serve to demonstrate our continuing interest in Hungary's original economic reform programme and to provide a fillip to our attempts to increase our share of the Hungarian market (in which we are particularly in competition with the French and Italians).

In view of his present position and possible future role, we believe that it would be particularly worthwhile if Mr Marjai could be received by the Prime Minister. He called on President Reagan and Chancellor Schmidt when visiting the USA and Bonn. If there is no possibility of a call on the Prime Minister between 7 and 11 March, we will see whether some adjustment could be made to the timing of Mr Marjai's visit. We are also recommending that Mr Marjai call on the Chancellor of the Exchequer.

Yes

[Handwritten signature]

A J Coles Esq
10 Downing Street

(R B Bone)
Private Secretary

Hungary: UK Relations 2/87

Foreign Office, London

London SW1A 1AA

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CHANCELLOR OF THE EXCHEQUERPossible BIS Loan to Hungary

1. As you know, the Governors of the BIS member banks are due to meet in Basle on 27/28 September to discuss, among other things, a possible further \$300 million facility for Hungary.
2. Malcolm Rifkind wrote to Leon Brittan on 7 July emphasising the importance we attach to helping Hungary to avoid being pushed into rescheduling. My officials have also been in touch with yours. I remain strongly of the view that the Hungarian economic experiment deserves support. In spite of its present difficulties, the system does work, and provides a valuable model of the market-orientated approach to economic management to which other East European countries may turn as a way of solving their own economic problems. The political consequences, as we have seen in Hungary, can be far-reaching.
3. The Hungarians appear to be genuinely determined to overcome their present difficulties; and you will by now have seen Budapest telnos 266 and 267, which record the considerable efforts the Hungarians are making. But in the short term they need help: if reform fails, Soviet-style orthodoxy can be the only winner, with all that this means in political as well as economic terms for Eastern Europe as a whole.
4. The BIS banks have deferred a decision on the \$300 million standby loan once already this year. Without a clear lead from the BIS, further lending from commercial banks seems unlikely. If on the other hand the BIS could agree now to make the loan available, then we would hope that commercial banks would also be encouraged to make some further loans to Hungary, thus enabling it to pull through until IMF funds become available next year.
5. I am of course aware that, as Leon Brittan pointed out in his letter of 9 August, the Bank of England has already made an important contribution to the previous BIS loans for Hungary. But the chief purpose of these loans was to tide Hungary over until she could draw upon the IMF funds, which now seem likely to be delayed.



It would be a doubtful economy if, having helped Hungary through the past six months, the West were now to withdraw its support and Hungary were to be forced into rescheduling as a result. It would also seriously reduce the creditors' prospects of being repaid not only by Hungary but by other Eastern European borrowers. A further financial crisis would almost certainly ensue, and the banks' increased reluctance to put any more funds in Eastern Europe could well precipitate defaults and/or requests for rescheduling by others.

6. Financially, economically and politically, therefore it is surely to the West's advantage to see Hungary overcome its present difficulties. I strongly hope that you will feel able to encourage the Bank of England to participate in this further loan.

7. I am copying this minute to the Prime Minister, the Secretary of State for Trade and the Governor of the Bank of England.

(FRANCIS PYM)

Foreign and Commonwealth Office
22 September 1982

Mr Scholar



Your Ref

with compliments

Treasury Chambers
Parliament Street
London SW1P 3AG
Tel: Direct Line 01-233 8707
Switchboard 01-233-3000

R G LAVELLE

H M Treasury

Parliament Street London SW1P 3AG

Switchboard 01 233 3000

Direct Dialling 01 233 8707

R G Lavelle
Under-Secretary

Mr Gales

Hungary

Tone

MUS 1/4

M J Balfour Esq
Bank of England
Threadneedle Street
LONDON EC2R 8AH

31 March 1982

HUNGARY

I am writing to record the outcome of the further discussion of the question of Bank of England participation in the proposed \$100 million credit facility being organised by the BIS for the National Bank of Hungary.

At his meeting with the Chancellor on 29 March the Governor said that, having taken full account of the points made in the Chancellor's letter of 24 March, he remained firmly of the view that it would be wrong for the United Kingdom to stand aside from an urgent operation to which he believed the other European banks would agree. German participation was already certain. The Governor added that he believed that a 20% share was the minimum appropriate to the UK role in the European banking system. Following discussion of the difficulties of a Government guarantee both at that meeting and later in the day, the Governor indicated that he was prepared to withdraw his request for this: the Bank would carry the risk. It emerged in the course of the day that the remaining proposed participants, other than France, had indicated readiness to take part in the BIS loan.

Of the issues considered at the meeting with the Chancellor, there remained the question of US attitudes and also the possibility that an early reply to BIS might cut across discussion at the European Council.

On the first question, we were able to establish from Washington in the course of the day that following a meeting of the Departments concerned the US authorities were not disposed to stand in the way of a BIS loan: and would also agree to Hungarian membership of the IMF. This has subsequently been confirmed in

SECRET

Washington T-1 no 1036, although the statement of neutrality there is rather less benevolent than we had perhaps understood the position to be.

As regards the European Council, we had arranged with No 10 to be informed of any significant developments that end. By the conclusion of the Council we had heard nothing in any untoward sense. This opened the way to your giving a positive response to the BIS before close of business on 30 March. I accordingly informed you that the Treasury would not see any objection to your confirming to BIS the Bank of England's readiness to participate in the Substitution Agreement on the basis of a maximum figure of £20 million.

We have had some more detailed exchanges on the text of the agreement. It would be helpful if we could see a copy of the text as it finally emerges. It would also be helpful if you could keep us informed of the timing of any announcement that the BIS may in due course make about those arrangements.

R G LAVELLE

bc: PPS
PS/CST
PS/FST
PS/EST
Sir D Wass
Sir K Couzens
Mr Littler
Mr Hawtin
Mr Bottrill
Mr Scholar No 10 ✓
Lord Bridges FCO



File
CC FO
CO
Bk
2
Hungary

10 DOWNING STREET

From the Private Secretary

26 March 1982

Hungary

Thank you for your letter of 24 March, to which you attached copies of the Governor's letter of 16 March to the Chancellor and the Chancellor's reply of 24 March. The Prime Minister will find it most useful to have this during the European Council meeting next week. She has commented that if the Bank of England were to give a guarantee to the BIS she does not see the need for a guarantee by HMG to the Bank of England.

I am sending a copy of this letter to Brian Fall (Foreign and Commonwealth Office) and David Wright (Cabinet Office).

M. G. SCHOLAR

John Kerr, Esq.,
HM Treasury

SECRET



An important exchange on a subject which is likely to come up at the European Council.

Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

A. & C. $\frac{26}{3}$

24 March 1982

Michael Scholar, Esq.,
No.10, Downing Street

Dear Michael,

I do not see the need for a formal guarantee to the Bank now.

HUNGARY

..... | Since the subject of Hungary's current liquidity crisis is, I understand, likely to be raised by the Germans at the European Council, and came up at the Prime Minister's briefing meeting this morning, you may like to see the attached copies of the Governor's letter of 16 March to the Chancellor, and the Chancellor's reply tonight.

Copies of this letter go to Brian Fall (FCO) and David Wright (Cabinet Office).

Yours ever,
J. O. Kerr

J. O. KERR



Treasury Chambers, Parliament Street, SW1P 3AG
01-233 3000

24 March 1982

The Rt Hon Gordon Richardson, MBE
Bank of England
EC2R 8AH

New Rt. Governor,

HUNGARY

Thank you for your letter of 16 March about the approaches for assistance which have recently been made to you by the Hungarian National Bank. This is obviously an important, and in present circumstances very complex, issue.

While other countries have a greater direct interest than we do, I share your wish that a country which is basically sound economically, and which has moved some way from a rigid command system in the running of its economy, should not be pushed into default simply on liquidity grounds. I agree too that it would be much better not to add to the strains on the international banking system.

If therefore our principal Community partners and other European countries closely affected were ready to join in a BIS operation for short term deposits with Hungary, I would not in principle exclude a guarantee by the Bank to the BIS, and by the Government to the Bank (though there are difficulties, to which I revert in paragraph 9 below, about any government guarantee), at a level in relation to other participants which reflected our economic strength and the degree of our economic interest in Hungary compared with theirs.

I should add at once however that I do not believe that we can get into the lead in this matter. We certainly could not participate, for example, without our major Community partners, who are both stronger economically and nearer to Hungary. Moreover, as you indicated in the penultimate paragraph of your letter, we would have to consider whether such an operation would not be fatally flawed without at least some measure of support from the United States.



I believe that the Germans have legal difficulties about giving a guarantee to the Bundesbank, but that they would like to participate in the BIS operation and are seeking a means of doing so. They have of course much more at stake in Hungary than we have. But I understand that Genscher is likely to raise the question of help to Hungary at the European Council next week.

As regards the United States, it seems to me essential to persuade them to say publicly that whatever their views about credit for the Soviet Union, or even for other members of the Eastern bloc, they have no wish to see normal credit denied to Hungary. So long as the banking system believes that there is a serious risk that the United States will try to get the entire Alliance to deny credit, subsidised or otherwise, to all the satellite countries as well as to the Soviet Union, it will not increase its exposure in Hungary, and will indeed feel bound to try to reduce it. This could mean that credit was withdrawn from Hungary by the banks as fast as European governments extended new credit.

In present circumstances it will not be easy to persuade the Americans to say something explicit enough to reassure the banking system, not least because the Americans will see it as rather difficult to explain a policy of differentiation to their public opinion. I think you will have seen the report that Fekete told the Americans that withdrawals by European-based Soviet banks had contributed substantially to the Hungarian problem. That will not help. However, though I understand the White House has yet to approve this, it looks as if the Americans may be prepared to go along with a first major step towards differentiation by acquiescing in the early admission of Hungary to the IMF, while Polish admission will be delayed. If Hungary can be speedily admitted, that would have some value in beginning to reassure the banks.

On the other hand, it may not be easy for the United States to agree to the large and the early IMF drawing which Hungary will no doubt want. The United States has been arguing for stronger conditionality in the IMF and they will hardly feel able to exempt a Communist country. There is a well established tradition which has been applied to countries like China and Zimbabwe that a decent interval, or period of "familiarisation", must elapse after IMF entry before a country makes a substantial drawing. So it is likely to take some time for Hungary to get access to substantial IMF funds. It follows that we cannot count on an early "take out" for a BIS deposit with Hungary from an IMF drawing. And if we are to be drawn into a rescue operation, it is important to see our way out of it.



The guarantee question is, as I mentioned, far from straightforward. The FCO do not wish to give the guarantee, yet it is very unattractive for the Treasury to enter into what is really a contingent public expenditure obligation. Since we have no specific powers, this would have to be done on the sole authority of the Appropriation Act, with prior notification to Parliament. I cannot see great attraction to Parliament in all this.

My conclusion is that an orderly solution to the Hungarian situation may take time and may have to be the result of a series of efforts over a period. These might have to include substantial retrenchment by the Hungarians themselves; the admission of Hungary to the IMF as soon as that can be arranged; the supply by the Hungarians of full information, on the lines you describe, about their economic situation; a considerable effort to persuade the Americans to differentiate publicly in favour of Hungary on the whole issue of credit to the Eastern bloc; probably an IMF drawing in due course, linked with some understanding with banks which now have exposure in Hungary; and the progressive restoration of banking confidence as a result of all these steps. I think it very likely that the United States will have to be convinced that Hungary will in no sense be a conduit for resources to the Soviet Union and that, as a minimum, the Hungarians will not backtrack on the measure of economic liberalisation they have achieved. US endorsement, or at least benevolent neutrality, will be a sine qua non.

I think we may have to work at a programme on these lines. I am not at present sure whether it will prove practicable to include a BIS operation as part of it. After next week's European Council, we may be clearer not only about the views of our European partners but also about US views on the follow up to the Buckley mission as well as on Hungarian admission to the IMF.

I am copying this letter to the Foreign Secretary and to Sir Robert Armstrong.

Yours sincerely,

John Kew

pp. GEOFFREY HOWE

BANK OF ENGLAND
LONDON EC2R 8AH

16 March 1982
16 MAR 1982

The Rt Hon Sir Geoffrey Howe QC MP
Chancellor of the Exchequer
HM Treasury
Parliament Street
London
SW1P 3AG

Mr Carey
C.J. K. EST,
Sir A. Wass,
Sir K. Coates,
Mr Little,
Mr Lavelle,
Mr Hawtin,
Miss Baker.

My dear Geoffrey.

HUNGARY

As I promised when we spoke briefly on Friday, I am writing to set down in greater detail the approach that has been made to the Bank of England and certain other central banks by the Hungarian National Bank ("HNB") seeking assistance in the economic predicament in which Hungary finds itself.

The Hungarians view the matter as one of considerable urgency. Dr M Timar, the President of HNB, came to see me on 4 March. In the same week Janos Fekete, his First Deputy President, had been to see Karl-Otto Pöhl and Chancellor Schmidt, as well as Fritz Leutwiler, in his capacity both as President of the Swiss National Bank and as President of the BIS. Fekete himself was in Basle at the time of the Central Bank Governors' meeting at the beginning of last week, and spoke again to Pöhl, Leutwiler and myself, as well as making his preoccupations more widely known. It seems clear that all these representations have been made on the highest political authority.

Briefly, over the last six months short-term bank deposits placed with the Hungarians have fallen by over \$1/2 bn, apparently with some considerable acceleration in the last three weeks. Two of the worst offenders have been OPEC countries whose foreign exchange

positions have come under some strain, but there have been other withdrawals spread fairly evenly amongst the major western countries. In addition, the Hungarians judge that their prospects for longer-term borrowing are poor for the moment and make it unlikely that they will be able to raise the \$600 mn or so they need in order to refinance their medium and long-term debt maturities falling due this year. They have also not been helped by the fall in the gold price, since they have borrowed from the BIS and perhaps some other banks against gold, more of which may have to be pledged to maintain a given amount of credits.

Their concern about their liquidity situation is compounded by the fear that it might adversely affect the processing of their application to join the IMF and hence be aggravated all the more. Conversely, if their IMF application went through smoothly, they believe that that very fact and the prospect of putting in place some kind of standby later in the year would materially assist them. Even so, the application (which the US government currently still seems minded to support) can hardly have been formally approved earlier than mid-May at best, and a further delay of several months would be inevitable before any standby could be put in place. They thus foresee a very difficult period, and the purpose of the meetings I have mentioned above has been to canvass the possibilities of help. They describe their need as for standby facilities of some \$500 mn, to be repaid by borrowing from the IMF once they are in a position to do so. They think they might need to draw down a certain amount over the next two months, but that, depending on the response of commercial banks, the rest might be unnecessary.

I view this situation with great concern for two main reasons. The first is the very real danger that if Hungary - whose sensible economic policies have hitherto inspired a special confidence amongst the generality of Western bankers - had to request a rescheduling operation, this would intensify the attitude of extreme caution being taken by Western banks towards Eastern European countries generally. As a result, not only would the risks of Yugoslavia having to seek this course (which are already high) become much greater, but East Germany and Czechoslovakia might

soon find themselves in the same boat. If the Eastern European dominoes collectively fall, then the task of containing the problems of heavy indebtedness elsewhere in the world will be seriously aggravated.

The second reason for my concern is a political one. Hungary's progress over the past decade in developing what they call a socialist market economy has undoubtedly proved an exemplar and lesson to many of the other East Europeans, and can be pointed to as one of the most positive results of the West's policy of détente. If we believe, as I do, that social and economic change in Eastern Europe can only be brought about by such evolutionary development, it would be a great setback if the Hungarians were seen to fail simply because of an unwillingness on the part of the West to extend assistance to tide them over a period of difficulty. This could only give comfort to the political and economic forces in Eastern Europe which are trying to distance CMEA from the West and turn it in on itself. It is, of course, fundamental to this view that the Hungarian economy is basically sound in a way in which the Polish economy is not.

Against the background of this concern, clearly the most effective support would come from renewed deposits from the banking system. If the banks saw that official help was forthcoming for Hungary they would certainly be influenced by that and could very well modify their behaviour accordingly. That behaviour must, however, depend on their own judgment and it would be quite wrong in my view for me to put any form of direct pressure on British banks to lend money against their judgment.

The question, therefore, is whether any kind of official assistance should be given in spite of the obvious risks in doing so. These are such that I could not conscientiously recommend that the Bank of England should put up a loan on its own responsibility. An international operation has more attractions. The BIS would be the obvious body through which such an operation should be mounted, because it is an institution whose main links are with European central banks, including most of the Eastern bloc countries, and of

which Hungary itself is a shareholder. But there too the BIS would face great difficulties because they have reached the limit of what they can do for Hungary, including lending against gold, on normal prudent considerations. The only way the BIS could extend a further credit to the HNB would be with the backing of member central banks. Since, however, most, if not all, of these would not in these circumstances lend in their own name, they could only guarantee the BIS with the backing of their governments; that in turn would of course in each case entail a major political decision.

Economic and political reasons against taking such a step are not hard to find. The support might not be enough to restore banks' confidence enough to lend to Hungary; political developments might supervene to thwart Hungary's entry to the IMF or to jeopardise her access to Fund facilities. Here the US position is critical. Although a BIS loan could be mounted without US support, we and others would no doubt be reluctant to proceed if we thought that US policy was moving more firmly in the direction of economic ostracism of the CMEA countries. On the other hand, if the US Administration could be prevailed upon to state that they differentiated in policy terms between CMEA countries, there might be considerable improvement in international banking confidence even without a BIS initiative. Leaving this possibility on one side, however, all the European governments likely to be involved are suffering from budgetary constraints that may make them reluctant to undertake additional loan guarantee commitments. In any event, we would clearly need to press the Hungarians for much more detailed figures of their debt repayment schedule and for indications of what adjustment measures to promote exports and reduce imports they have in mind, in order to assess the risks of helping them.

But the prior question must be whether HMG is inclined in principle to share my view of the potential gravity of the situation and would

be prepared seriously to consider guaranteeing a portion of a BIS credit in favour of Hungary if other Western governments can be induced to do the same.

I am copying this letter to the Foreign Secretary and to Sir Robert Armstrong.

Yours ever

Gordon.

be prepared seriously to consider transferring a portion of a 10%
credit in favour of Hungary if other Western governments can be
induced to do the same.

I am copying this letter to the Foreign Secretary and to
Sir Robert Woodhouse.

11-5 MAR 1982



John King

London

MR. BULLARD

x ref
Sir M. Palliser ✓
cc: Mr. Whitmore ✓
PS to Lord Bridges
Mr. Gladstone
Mr. Ingham H

. Hungarian Debt

Washington tel no. 911.

Bank of England say that Timar, Governor of Hungarian National Bank, told them that withdrawals from Hungary were mainly from Libya and Iraq. Bank of England consider this to be a plausible story.

Bank of England have heard a rumour from Manufacturers Hanover. The rumour is that the Soviet Union have withdrawn deposits from the Hungarian Banks in the West. The Hungarians have branch banks in London and Vienna. But the rumour the Bank of England have heard was that the Russians had withdrawn \$½ billion. This could not be accurate as the total assets of the Vienna and London banks are only \$½ billion.

Hungarian debt to the West is divided 93 per cent to Western Commercial Banks and 7 per cent to official Western creditors.

At Departmental level we have been considering the following:

- (a) Encouraging Central Banks to tell commercial banks that Hungary is a good risk;
- (b) making official statements of approval about Hungarian IMF membership;
- (c) considering whether there is any general wish among Central Banks to float the BIS loan.

Nigel Broomfield

19 March 1982

From: THE PRIVATE SECRETARY

(4)

Hungary



HOME OFFICE
QUEEN ANNE'S GATE
LONDON SW1H 9AT

Prime Minister
You will wish to be aware
that the Home Secretary did
this on your behalf.

14 January 1982

Dear Francis

A.F.C. 14
T

h.a.
A.S.

CALL ON THE HOME SECRETARY BY THE HUNGARIAN FOREIGN MINISTER

As you know Mr Puja, the Hungarian Foreign Minister, called upon the Home Secretary at 6.15 pm yesterday evening. Mr Puja was accompanied by Dr Banyasz, the Hungarian Ambassador, and Dr Banlaki, the Second Secretary and Interpreter; and on our side by Mr Bryan Cartledge, HM Ambassador, Budapest.

The meeting lasted about half-an-hour; it was conducted in a friendly and open manner; the discussion revolved round economic matters - industrial development and the state of agriculture in Hungary, and on our side the economic prospects for the UK and unemployment; Mr Puja and the Home Secretary agreed on the need for political dialogue between the two countries; he asked the Home Secretary to remind the Prime Minister of the invitation which had been extended to her to visit Hungary.

A fuller account of the discussion is contained in the attached note.

I am sending a copy of this letter and enclosure to John Coles (No 10).

John Coles
Alison Jackson

A P JACKSON

F N Richards, Esq.

NOTE OF A MEETING HELD AT 6.15 PM ON 13 JANUARY 1982

CALL ON THE HOME SECRETARY BY THE HUNGARIAN FOREIGN MINISTER

Present:	Home Secretary	Mr Puja
	Mr Cartledge	Dr Banyasz
	Mr Jackson	Dr Banlaki

The Home Secretary passed on to Mr Puja the Prime Minister's apologies for being unable to see him. Mr Puja thought that this was quite understandable in the light of the news about Mr Mark Thatcher and enquired whether there had been any developments. The Home Secretary filled Mr Puja in on the position.

2. The Home Secretary told Mr Puja that the Prime Minister had been looking forward to seeing him to tell him of the importance which the Government attached to maintaining a political dialogue with Hungary. Mr Puja said that his Government too attached importance to this. He would have liked to have been able to convey to the Prime Minister the greetings and regards of his Prime Minister and asked that the Home Secretary might convey these to her. The Home Secretary undertook to do that and asked that Mr Puja might also convey the Prime Minister's best wishes to his Prime Minister. Mr Puja reported that his Prime Minister had asked him to remind Mrs Thatcher that she had a standing invitation to pay an official visit to Hungary. The Home Secretary said that he would pass this on; he knew that the Prime Minister would like to do so at an appropriate time though Mr Puja would of course appreciate that she had many pressing problems. Mr Puja said that his Government assigned a great deal of importance to maintaining good relations with the United Kingdom. He had had, and would be having further, talks with Lord Carrington, and also with the Department of Trade. In an international situation which was growing more tense there was a special significance in maintaining bilateral relations. The Home Secretary said that the United Kingdom accepted that and that Lord Carrington had told him already of the discussions which he had had with Mr Puja. Mr Puja stressed the importance of personal contacts in relations between the two countries. Such contacts could act as a gear box in the relationship between socialist and western countries. In a period of recession, which had made its effect felt in their part of the world too, it was in the mutual interests of both societies to move out of this industrial lull. The Home Secretary enquired whether there were

signs of increases in productive activity in Hungary. Mr Puja said that the level of industrial production in some areas was consciously held at a lower level: Hungary was poor in natural resources and if industry were to work to full capacity the demand for the import of raw materials would be so increased as to have a negative effect on the balance of payments. His Government also had to consider the structural effect on industry and this had led them to put particular emphasis on certain areas of industry which had a significant future role, for example, chemicals, pharmaceuticals, engineering and vehicles. Their service industries also were under-developed and a good deal of labour could be absorbed in that area. There was no unemployment in Hungary; indeed they had thought that in the construction industry, whose orders had been 30% less than had been planned last year, there might have been a surplus of labour, but there was no sign of that and other areas had taken up the slack. Mr Puja said that efforts were being made to try and apply the experiences which had been gained in agriculture in the industrial field and that they were also trying to make greater use of private enterprise, though this was only possible to a limited extent. He commented that in the west it was said that the Hungarians were becoming capitalists.

3. The Home Secretary enquired about the agricultural industry in Hungary. Mr Puja said that in absolute terms the agricultural industry was not large because of the small size of Hungary. It did however play an important part in the economy and had many achievements to its credit. The agriculture industry comprised 16% state, 5% private, the rest co-operative farms. The co-operative farms in essence managed their own affairs independently although there was a certain amount of indirect central direction by the use of financial incentives. He commented that if there were no such direction everyone would produce only those commodities which were profitable. He quoted figures for the Hungarian production of maize and wheat and the important position Hungary occupied in the league table of countries producing such commodities. These were in themselves a significant achievement, but the really important result, he commented, was in the social effects. In 1945 some 60% of the population had been employed in agriculture; now only 18% were so employed though even that was too high. The old-style peasant no longer existed and there was a far greater proportion of educated people living in the countryside.

4. There was a short further discussion about industrial production in Hungary and particularly the importance of the food industry.

5. The Home Secretary said that the Government now thought that industrial activity in the United Kingdom was beginning to pick up slowly and that there was a detectable increase

in economic activity. This increase might not however lead to a reduction in unemployment since many of our industries were now much more efficient in their use of labour. Mr Puja commented that new technology was now no doubt beginning to have the same effects in this country as it had been having in the USA. The Home Secretary commented that one of the difficulties of the structure of industry in the United Kingdom was the large proportion of old heavy industries. Although the country was well off in raw materials it did not produce effectively because labour costs were too high. Mr Puja commented that that problem seemed similar to the position in the United States which was of course burdened by its enormous defence budget. There was a short discussion of unemployment in this country and in the world generally and the Home Secretary said that the Government was very concerned about the level of unemployment here and was seeking to create new opportunities for employment though the problem was often in finding markets for goods which had been produced. Indeed, the United Kingdom had lost out in a number of traditional markets (eg. to the Japanese in the sale of cars). Mr Puja commented that the Japanese had very low labour costs and were not burdened significantly by defence expenditure.

6. The meeting concluded with a further exchange of courtesies.

Alex J. K.

A P JACKSON
Private Secretary

Private Office
Home Office
Queen Anne's Gate

14 January 1982

in economic activity. This increase might not however lead to a reduction in unemployment since part of our industries were not made efficient in their use of labour. Mr. Paine commented that new technology was now no longer regarded as new the same effects in this country as it had been having in the USA. The Home Secretary commented that one of the difficulties of the structure of industry in the United Kingdom was the large proportion of old heavy industries. Although the country was well off in raw materials it did not produce efficiently because labour costs were too high. Mr. Paine commented that that problem varied slightly in the position in the United States where use of common standards by its economic balance budget. There was a large amount of unemployment in this country and in the world generally and the Home Secretary said that the government was very concerned about the level of unemployment here and was seeking to create new opportunities for employment through the provision of training courses for people which had been produced. Indeed, the United Kingdom had lost out in a number of traditional markets (eg. to the Japanese in the case of cars). Mr. Paine commented that the Japanese had very low labour costs and were not burdened significantly by defence expenditures.

6. The meeting concluded with a further exchange of comments.

A. P. JARVIS

A P JARVIS
Private Secretary

Private Office
Home Office
Green Lane
14 January 1982
11 21

14 JAN 1982



Hungary

10 DOWNING STREET

Note for the record.

The meeting with the Hungarian
Foreign Minister at N.10 on 13.1.82 was cancelled.

D. S. T. Collins

(Duty desk)

13.1.82

Prime Minister

Hungarian Foreign Minister

There are two briefs attached :-

- one on Poland
- the second on other matters.

2. The Hungarian Ambassador (Dr. Bangas) and Bryan Cartledge will attend the call. So will an Hungarian interpreter.
3. As there will be six of us you may like to use the White Drawing Room.

A. J. C.



Foreign and Commonwealth Office

London SW1A 2AH

12 January 1982

Dear John,

Hungarian Foreign Minister's call on the Prime Minister:
13 January

In the light of the NATO Foreign Ministers' Meeting on 11 January the Prime Minister may wish to raise Poland in her discussions with the Hungarian Foreign Minister, Mr Puja, on 13 January. I therefore enclose a short up-dating brief as a supplement to the main brief enclosed with my letter of 8 January.

Mr Puja may wish to steer conversation away from Poland as soon as possible. And we would not suggest that the Prime Minister should make this the main topic at the meeting. Our policy so far has been to try to discriminate between the countries of Eastern Europe on the basis of their internal developments and external obedience to Soviet wishes. Hungary has, in our view, been relatively successful in pursuing its own interests and introducing economic reforms. While we would not, therefore, wish to suggest to Mr Puja that Hungary has direct responsibility for the imposition of martial law in Poland, the Prime Minister may nevertheless wish to make clear the importance events in Poland will have for the development of East/West relations across the board including our own relations with Hungary.

yours etc
Roderic Lyne

JP (F N Richards)
Private Secretary

A J Coles Esq
 10 Downing St



CONFIDENTIAL

SUPPLEMENTARY BRIEF FOR CALL BY HUNGARIAN FOREIGN MINISTER,
MR PUJA: 13 JANUARY 1982 AT 1500 HOURS

POLAND

POINTS TO MAKE

1. Hungarian Government will have seen the Declaration of NATO Foreign Ministers on Poland issued after their meeting on 11 January. Will be aware therefore of seriousness with which NATO Governments view developments in Poland.
2. As we have repeatedly made clear, we look to the Polish Government to honour its commitments to return to the process of Renewal and Reform as quickly as possible. Specifically we call on them to end martial law, release detainees and resume a dialogue with the Church and Solidarity.
3. We and our partners and allies are determined to work for a climate of confidence and mutual restraint in East/West relations. But the persistence of repression in Poland and the massive violation of human rights in that country is eroding the basis for East/West cooperation and understanding. Must emphasise that situation in Poland is a potentially disruptive force for East/West relations across the board.
4. NATO Foreign Ministers called upon the Soviet Union to respect Poland's sovereign rights and to respect the clear desire of the overwhelming majority of the Polish people for national reform and renewal. Wish to reiterate that any further Soviet pressure, but particularly military intervention, assisted by any other of Poland's allies, would have the gravest consequence for international relations and mean the end of détente.



CONFIDENTIAL

5. Know that Hungary has in the last decade pursued innovative policies both at home and in its foreign relations (particularly economic). We in the West have welcomed these developments. Believe it would be a pity if these achievements were now put at risk by developments in Poland.

6. In that perspective would be very interested to have Hungarian views on likely outcome and development of situation in Poland.

CONFIDENTIAL



CONFIDENTIAL

SUPPLEMENTARY BRIEF FOR CALL BY HUNGARIAN FOREIGN MINISTER,
MR PUJA: 13 JANUARY 1982 AT 1500 HOURS

POLAND

ESSENTIAL FACTS

1. A copy of the NATO Foreign Minister's Declaration is attached at Annex A.
2. Hungarian Official reaction to the NATO Declaration is reported in Budapest telegram number 15 attached.

EESD
12 January 1982

CONFIDENTIAL

D/B 121300Z

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IMMEDIATE

PC/DND: ADVANCE COPIES

PS
PS/LPS

NO 10 DOWNING ST
ASSESSMENT STAFF
CABINET OFFICE
DIO CABINET OFFICE

PS/LORD TREFGARNE
PS/FUS
MR BULLARD
MR FERGUSSON
~~SIR AIGLAND~~ *Mr Wright*
~~MR GILLMORE~~
MR Goodison

~~HD/EESD~~ (4)
HD/DEF D
HD/FUSD (2)
HD/WED *HD. UND*
→ HD/ECD(E)
HD/PLANNING STAFF
HD/NEWS D
HD/CONS D
HD/CONS EM UNIT

FROM BUDAPEST 121049Z
TO IMMEDIATE FCO

TEL NO 15 OF 12/1

HUNGARIAN REACTION TO NATO FOREIGN MINISTER COMMUNIQUE

1. TODAY'S HUNGARIAN PAPERS ALL CARRY ARTICLES ON THE NATO FOREIGN MINISTERS MEETING.
2. NEPSZABADSAG, THE PARTY PAPER, GIVES A DESCRIPTION OF THE COMMUNIQUE, TOGETHER WITH A LENGTHY EXTRACT FROM TASS. THIS EXTRACT DESCRIBES THE COMMUNIQUE AS 'INTERFERENCE WITH POLAND'S INTERNAL AFFAIRS, WHICH AMOUNTS TO CRUDE VIOLATION OF THE PRINCIPLES ACCEPTED AT THE HELSINKI CONFERENCE'.
3. HUNGARIAN COMMENT IS LIMITED TO FOLLOWING THIS LINE. NEPSZABADSAG SAYS THAT THE COMMUNIQUE, WHICH 'THE MEMBER STATES ACCEPTED AFTER STRONG PRESSURE FROM WASHINGTON, SHOULD BE CONSIDERED TO BE A FURTHER ATTEMPT TO INTERFERE IN POLAND'S INTERNAL AFFAIRS, AND A CONSCIOUS DISTORTION OF SOVIET POLICY'.
4. THE OTHER HUNGARIAN PAPERS DEAL WITH THE COMMUNIQUE IN THE CONTEXT OF GROMYKO'S AND CZYREK'S DISCUSSIONS IN MOSCOW. THEIR COVERAGE DOES NOT DEVIATE FROM THE LINE TAKEN BY TASS AND NEPSZABADSAG.

BIRCH

GRS 1400

UNCLASSIFIED

DESKBY 111900Z

FM UKDEL NATO 111740Z JAN 82

TO IMMEDIATE FOREIGN AND COMMONWEALTH OFFICE,

TELEGRAM NUMBER 015 OF 11 JANUARY 1982,

INFO IMMEDIATE WASHINGTON, PARIS, BONN, WARSAW, MOSCOW,

INFO PRIORITY ALL OTHER NATO POSTS, UKMIS NEW YORK, UKMIS GENEVA,
UKREP BRUSSELS, MADRID,

INFO SAVING TOKYO, CANBERRA, WELLINGTON, PRAGUE, SOFIA, EAST
BERLIN, BUCHAREST, BUDAPEST, BELGRADE, STOCKHOLM, VIENNA, BERNE,
HELSINKI.

NORTH ATLANTIC COUNCIL & POLAND.

1. THE FOLLOWING IS THE TEXT OF THE DECLARATION ON EVENTS IN POLAND
ISSUED FOLLOWING TODAY'S MEETING OF THE COUNCIL AT MINISTERIAL
LEVEL.

QUOTE:

1. THE ALLIED GOVERNMENTS CONDEMN THE IMPOSITION OF MARTIAL LAW
IN POLAND AND DENOUNCE THE MASSIVE VIOLATION OF HUMAN RIGHTS AND
THE SUPPRESSION OF FUNDAMENTAL CIVIL LIBERTIES IN CONTRAVENTION
OF THE UNITED NATIONS CHARTER, THE UNIVERSAL DECLARATION ON HUMAN
RIGHTS AND THE FINAL ACT OF HELSINKI.
2. THE PROCESS OF RENEWAL AND REFORM WHICH BEGAN IN POLAND IN
AUGUST 1980 WAS WATCHED WITH SYMPATHY AND HOPE BY ALL WHO BELIEVE
IN FREEDOM AND SELF-DETERMINATION; IT RESULTED FROM A GENUINE
EFFORT BY THE OVERWHELMING MAJORITY OF THE POLISH PEOPLE TO ACHIEVE
A MORE OPEN SOCIETY IN ACCORDANCE WITH THE PRINCIPLES OF THE FINAL
ACT OF HELSINKI.
3. THE IMPOSITION OF MARTIAL LAW, THE USE OF FORCE AGAINST POLISH
WORKERS, WITH THE THOUSANDS OF INTERMENTS, THE HARSH PRISON
SENTENCES AND THE DEATHS THAT FOLLOWED, HAVE DEPRIVED THE POLISH
PEOPLE OF THEIR RIGHTS AND FREEDOMS, IN PARTICULAR IN THE FIELD OF
TRADE UNIONS. THESE ACTS THREATEN TO DESTROY THE BASIS FOR RECON-
CILIATION AND COMPROMISE WHICH ARE NECESSARY TO PROGRESS AND
STABILITY IN POLAND. THEY ARE IN CLEAR VIOLATION OF POLISH COMMIT-
MENTS UNDER THE HELSINKI FINAL ACT, PARTICULARLY THE PRINCIPLES
RELATING TO RESPECT FOR HUMAN RIGHTS AND FUNDAMENTAL FREEDOMS.
DEVELOPMENTS IN POLAND DEMONSTRATE ONCE AGAIN THE RIGIDITY OF THE
WARSAW PACT REGIMES WITH RESPECT TO THOSE CHANGES NECESSARY TO MEET
THE LEGITIMATE ASPIRATIONS OF THEIR PEOPLES. THIS ENDANGERS PUBLIC
CONFIDENCE IN CO-OPERATION BETWEEN EAST AND WEST AND SERIOUSLY
AFFECTS INTERNATIONAL RELATIONS.

4. THE ALLIES DEPLORE THE SUSTAINED CAMPAIGN MOUNTED BY THE SOVIET UNION AGAINST EFFORTS BY THE POLISH PEOPLE FOR NATIONAL RENEWAL AND REFORM, AND ITS ACTIVE SUPPORT FOR THE SUBSEQUENT SYSTEMATIC SUPPRESSION OF THOSE EFFORTS IN POLAND. THESE ACTS CANNOT BE RECONCILED WITH THE SOVIET UNION'S INTERNATIONAL UNDERTAKINGS, AND IN PARTICULAR WITH THE PRINCIPLES OF THE FINAL ACT OF HELSINKI, ESPECIALLY THOSE DEALING WITH SOVEREIGNTY, NON-INTERVENTION, THREAT OF FORCE, AND SELF-DETERMINATION. THE SOVIET UNION HAS NO RIGHT TO DETERMINE THE POLITICAL AND SOCIAL DEVELOPMENT OF POLAND.
5. THE ALLIES CALL UPON THE POLISH LEADERSHIP TO LIVE UP TO ITS DECLARED INTENTION TO RE-ESTABLISH CIVIL LIBERTIES AND THE PROCESS OF REFORM. THEY URGE THE POLISH AUTHORITIES TO END THE STATE OF MARTIAL LAW, TO RELEASE THOSE ARRESTED, AND TO RESTORE IMMEDIATELY A DIALOGUE WITH THE CHURCH AND SOLIDARITY. ONLY WITH RECONCILIATION AND GENUINE NEGOTIATION CAN THE BASIC RIGHTS OF THE POLISH PEOPLE AND WORKERS BE PROTECTED, AND THE ECONOMIC AND SOCIAL PROGRESS OF THE COUNTRY BE SECURED. POLAND COULD THEN EXPECT TO ENJOY FULLY THE BENEFITS OF STABILITY IN EUROPE AND OF CONSTRUCTIVE POLITICAL AND ECONOMIC RELATIONS WITH THE WEST.
6. THE ALLIES CALL UPON THE SOVIET UNION TO RESPECT POLAND'S FUNDAMENTAL RIGHT TO SOLVE ITS OWN PROBLEMS FREE FROM FOREIGN INTERFERENCE AND TO RESPECT THE CLEAR DESIRE OF THE OVERWHELMING MAJORITY OF THE POLISH PEOPLE FOR NATIONAL RENEWAL AND REFORM. SOVIET-PRESSURE, DIRECT OR INDIRECT, AIMED AT FRUSTRATING THAT DESIRE, MUST CEASE. THE ALLIES ALSO WARN THAT IF AN OUTSIDE ARMED INTERVENTION WERE TO TAKE PLACE IT WOULD HAVE THE MOST PROFOUND CONSEQUENCES FOR INTERNATIONAL RELATIONS.
7. IN THEIR COMMUNIQUE OF 11TH DECEMBER, 1981, NATO MINISTERS REAFFIRMED THEIR COMMITMENT TO WORK FOR A CLIMATE OF CONFIDENCE AND MUTUAL RESTRAINT IN EAST-WEST RELATIONS: WHAT HAS SINCE HAPPENED IN POLAND HAS GREAT SIGNIFICANCE FOR THE DEVELOPMENT OF SECURITY AND CO-OPERATION IN EUROPE. THE PERSISTENCE OF REPRESSION IN POLAND IS ERODING THE POLITICAL FOUNDATION FOR PROGRESS ON THE FULL AGENDA OF ISSUES WHICH DIVIDE EAST AND WEST.
8. THE ALLIES REMAIN COMMITTED TO THE POLICIES OF EFFECTIVE DETERRENCE AND THE PURSUIT OF ARMS CONTROL AND IN PARTICULAR HAVE WELCOMED THE INITIATIVES CONTAINED IN PRESIDENT REAGAN'S 16TH NOVEMBER SPEECH. THE SOVIET UNION WILL BEAR FULL RESPONSIBILITY IF ITS ACTIONS WITH REGARD TO POLAND AND ITS FAILURE TO LIVE UP TO EXISTING INTERNATIONAL OBLIGATIONS DAMAGE THE ARMS CONTROL PROCESS. A RETURN TO THE PROCESS OF REAL REFORMS AND DIALOGUE IN POLAND WOULD HELP CREATE THE ATMOSPHERE OF MUTUAL CONFIDENCE AND RESTRAINT REQUIRED FOR PROGRESS IN NEGOTIATIONS IN THE FIELD OF ARMS CONTROL AND LIMITATIONS, INCLUDING THE GENEVA TALKS ON INTERMEDIATE-RANGE NUCLEAR FORCES DUE TO RESUME ON 12TH JANUARY.

9. IN VIEW OF THE GRAVE DEVELOPMENTS IN POLAND, WHICH CONSTITUTE A SERIOUS VIOLATION OF THE HELSINKI FINAL ACT, THE ALLIES AGREED THAT THE MADRID CONFERENCE SHOULD DEAL WITH THE SITUATION AS SOON AS POSSIBLE AT THE LEVEL OF FOREIGN MINISTERS.

10. THE ALLIES WILL ALSO INTENSIFY THEIR EFFORTS TO BRING TO THE ATTENTION OF WORLD PUBLIC OPINION AND INTERNATIONAL ORGANIZATIONS INCLUDING THE UNITED NATIONS AND ITS SPECIALIZED AGENCIES SUCH AS THE INTERNATIONAL LABOUR ORGANIZATION, THE VIOLATION OF HUMAN RIGHTS AND ACTS OF VIOLENCE IN POLAND.

11. EACH ALLY WILL IN ACCORDANCE WITH ITS OWN SITUATION AND LEGISLATION IDENTIFY APPROPRIATE NATIONAL POSSIBILITIES FOR ACTION IN THE FOLLOWING FIELDS:

(A) FURTHER RESTRICTIONS ON THE MOVEMENTS OF SOVIET AND POLISH DIPLOMATS, AND OTHER RESTRICTIONS ON SOVIET AND POLISH DIPLOMATIC MISSIONS AND ORGANIZATIONS;

(B) REDUCTION OF SCIENTIFIC AND TECHNICAL ACTIVITIES OR NON-RENEWAL OF EXCHANGE AGREEMENTS;

MEANWHILE THE ALLIES EMPHASIZE:

- THEIR DETERMINATION TO DO WHAT LIES IN THEIR POWER TO ENSURE THAT THE TRUTH ABOUT EVENTS IN POLAND CONTINUES TO REACH THE POLISH PEOPLE DESPITE THE OBSTACLES CREATED BY THE AUTHORITIES IN WARSAW AND MOSCOW IN DIRECT CONTRAVENTION OF THEIR OBLIGATIONS UNDER THE HELSINKI FINAL ACT;

- THEIR RESOLVE THAT THE EQUALITY OF THEIR RELATIONS WITH THE MILITARY REGIME IN POLAND SHOULD REFLECT THE ABNORMAL NATURE OF THE PRESENT SITUATION AND THEIR REFUSAL TO ACCEPT IT AS PERMANENT;

- THEIR WILLINGNESS TO CONTRIBUTE, WITH OTHER GOVERNMENTS, TO THE SOLUTION OF THE PROBLEM OF POLISH CITIZENS NOW ABROAD AND UNABLE OR UNWILLING TO RETURN TO THEIR OWN COUNTRY.

12. THE ALLIES RECOGNIZE THE IMPORTANCE OF ECONOMIC MEASURES TO PERSUADE THE POLISH AUTHORITIES AND THE SOVIET UNION OF THE SERIOUSNESS OF WESTERN CONCERN OVER DEVELOPMENTS IN POLAND, AND STRESS THE SIGNIFICANCE OF THE MEASURES ALREADY ANNOUNCED BY PRESIDENT REAGAN.

13. REGARDING ECONOMIC RELATIONS WITH POLAND, THE ALLIES:

- NOTED THAT FUTURE COMMERCIAL CREDITS FOR GOODS OTHER THAN FOODS WILL BE PLACED IN ABEYANCE;

- NOTED THAT THE QUESTION OF HOLDING NEGOTIATIONS ABOUT THE PAYMENTS DUE IN 1982 ON POLAND'S OFFICIAL DEBTS SHOULD, FOR THE TIME BEING, BE HELD IN SUSPENSE;

- AFFIRMED THEIR WILLINGNESS TO CONTINUE AND INCREASE HUMANITARIAN AID TO THE POLISH PEOPLE FOR DISTRIBUTION AND MONITORING BY NON-GOVERNMENTAL ORGANIZATIONS TO ENSURE THAT IT REACHED THE PEOPLE FOR WHOM IT IS INTENDED:

- NOTED THAT THOSE ALLIES WHICH SELL FOOD TO POLAND WILL SEEK THE CLEARST POSSIBLE POLISH COMMITMENTS WITH REGARD TO THE USE OF THE FOOD.

14. IN THE CURRENT SITUATION IN POLAND, RELATIONS WITH POLAND AND THE SOVIET UNION ARE BOUND TO BE AFFECTED. SOVIET ACTIONS TOWARDS POLAND MAKE IT NECESSARY FOR THE ALLIES TO EXAMINE THE COURSE OF FUTURE ECONOMIC AND COMMERCIAL REALTIONS WITH THE SOVIET UNION. RECOGNISING THAT EACH OF THE ALLIES WILL ACT IN ACCORDANCE WITH ITS OWN SITUATION AND LAWS, THEY WILL EXAMINE MEASURES WHICH COULD INVOLVE ARRANGEMENTS REGARDING IMPORTS FROM THE SOVIET UNION; MARITIME AGREEMENTS, AIR SERVICES AGREEMENTS, THE SIZE OF SOVIET COMMERCIAL REPRESENTATION AND THE CONDITIONS SURROUNDING EXPORT CREDITS.

15. THE ALLIES WILL MAINTAIN CLOSE CONSULTATIONS ON THE IMPLEMENTATION OF THEIR RESOLVE NOT TO UNDERMINE THE EFFECT OF EACH OTHER'S MEASURES.

16. IN ADDITION TO AGREEING TO CONSULT ON STEPS TO BE TAKEN IN THE NEAR FUTURE, THE ALLIES WILL ALSO REFLECT ON LONGER-TERM EAST-WEST ECONOMIC RELATIONS, PARTICULARLY ENERGY, AGRICULTURAL COMMODITIES AND OTHER GOODS, AND THE EXPORT OF TECHNOLOGY, IN LIGHT OF THE CHANGED SITUATION AND OF THE NEED TO PROTECT THEIR COMPETITIVE POSITION IN THE FIELD OF MILITARY AND TECHNOLOGICAL CAPABILITIES. UNQUOTE.

2. THESE ARE FOOTNOTES RECORDING GREEK RESERVATIONS ON THE PENULTIMATE SENTENCE OF PARAGRAPH 3 AND ON PARAGRAPHS 11, 12, 13, 14 AND 16.

3. COMMENT FOLLOWS.

FCO PLEASE PASS SAYING TO TOKYO, CANBERRA, WELLINGTON, PRAGUE, SOFIA, EAST BERLIN, BUCHAREST, BUDAPEST, BELGRADE, STOCKHOLM, VIENNA, BERRE, HELSINKI.

ROSE.

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POLAND SPECIAL

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MR COLES —
MR INGHAM
MR KYDD
MR RYLANDS
MR TAYLOR
DETECTIVES
FRONT DOOR

HUNGARIAN FOREIGN MINISTER: PHOTOCALL

The following will be coming in for this
photocall tomorrow at 1445 for 1500:

COI:	-	Mark Seymour
UPI	-	J Eggett
Visnews (Eng)	-	R McCloud J Streeter K Ward

PETER EWING
PRESS OFFICE

12 January, 1982.

VISIT OF HIS EXCELLENCY THE MINISTER FOR FOREIGN AFFAIRS OF THE
HUNGARIAN PEOPLE'S REPUBLIC AND MRS PUJA.

12 - 14 JANUARY 1982.

A D M I N I S T R A T I V E P L A N

(to be read in conjunction with programme attached).

12 January

Arrival

When the aircraft doors open a representative of the British
Airports Authority will accompany the greeting party to the
aircraft. The Hungarian Ambassador, His Excellency Dr R
Bányász, will board the aircraft and escort Mr and Mrs Puja
to the tarmac where he will present the following (in order):-

Sir Edwin Arrowsmith

Special Representative of the Secretary of State for Foreign
and Commonwealth Affairs.

Mrs I Bányász

Mr B G Cartledge

Her Majesty's Ambassador to Hungary and Mrs Cartledge.

Mr C R Taylor

Deputy Secretary, Government Hospitality Fund

Group Captain R Thomson,

Government Hospitality Fund

Mrs E Paterson

Government Hospitality Fund

The party will proceed to the VIP suite where the Ambassador will
present members of his staff.

Transport

Cars are provided for Mr and Mrs Puja and members of the official
suite and are allocated as follows:-

Car 1

His Excellency Mr Puja
His Excellency Dr Bányász
Mr Cartledge
Escort Officer
Security Officer

/Car 2

Luncheon hosted by Lord Trefgarne

The following are also invited:-

Hungary

HE Dr Rezso Bányász
Mr E Kovacs
HE Mr Lajos Nagy
Mrs Edit Abri
Dr Laszlo Demus

United Kingdom

PS/Lord Trefgarne
Mr B Cartledge
Mr R T Anthony
Mr J Cooper
Mr A J Lippett
Rt Hon Gordon Richardson
Sir John Buckley
Mr P B F Emmerson
Mr P Grunfeld
Mr D A Robson
Mr John Parker
Sir Maurice Hodgson
Mr G L S Mackworth-Young
Mr P Corley
Mr E A J Fergusson
Mr N H R A Broomfield.
Mr L Friedman OBE

Call on the Prime Minister

The following will also be present:-

Hungary

Dr Bányász
Dr Bánlaki

United Kingdom

Private Secretary
Mr Cartledge

Dinner hosted by the Secretary of State for Foreign and Commonwealth Affairs and Lady Carrington

The following are also invited:-

Hungary

HE Dr Rezso Bányász
HE Mr Lajos Nagy
Mrs Edit Abri

United Kingdom

The Rt Hon Lord Shackleton
Mr and Mrs Roy Hughes
Sir Donald and Lady Logan
Sir John Burgh
Mr and Mrs R C Devereux
Miss Hella Pick
Mr and Mrs B G Cartledge
Mr and Mrs J L Bullard
Mr and Mrs F N Richards
Miss Judith Brown

/14 January

Car 2

Mrs Puja
Mrs Bányász
Mrs Cartledge
Mrs Paterson
Mrs Szakala

Car 3

Ambassador Nagy
Dr Bánlaki
Mrs Abri
Mrs Szemenyei

Theatre/Supper party

The following are also invited:-

Mr and Mrs Bullard
Dr and Mrs Bányász
Mr and Mrs Cartledge
Dr Bánlaki
Mrs Szakala

Wednesday 13 January

Talks with the Secretary of State for Foreign and Commonwealth Affairs

The following will also be present:-

Hungary

Mr Nagy
Dr Bányász
Mrs Abri
Mr Demus
Dr Bánlaki
Mrs Szemenyei

United Kingdom

Private Secretary
Mr Cartledge
Mr Bullard
Mr Broomfield
Miss Brown

Call on Minister for Trade

The following will also be present:-

Hungary

Mr Nagy
Dr Bányász
Mrs Abri
Mr Kovacs
Dr Bánlaki
Mrs Szemenyei

United Kingdom

Private Secretary
Mr Corley

/Luncheon

D I S T R I B U T I O N

10 DOWNING STREET

Private Secretary/Prime Minister (2)
Press Office (1)

EMBASSY OF THE HUNGARIAN PEOPLE'S REPUBLIC (6)

FOREIGN AND COMMONWEALTH OFFICE

Private Secretary (2)
Private Secretary/Lord Trefgarne (1)
Private Secretary/Permanent Under Secretary (2)
Mr J L Bullard (1)
Mr E A J Fergusson (1)
Mr Cartledge, c/o Heads of Missions Section (2)
Mr N H R A Broomfield (1)
Eastern European and Soviet Department (Miss Wedlock - 6)
News Department (3)
Heads of Mission Section - Personnel Operations Department (1)
Miss D Lothian (1)
Resident Clerk (1)
Protocol and Conference Department (8)

GOVERNMENT HOSPITALITY FUND (12)

DEPARTMENT OF TRADE

Private Secretary/Minister for Trade (2)

14 January

Farewell call on Lord Carrington (to be confirmed)

The following will also be present:-

Hungary

Dr Bányász
Dr Bánlaki

United Kingdom

Mr Cartledge
Mr Broomfield

Call on Lord Trefgarne

The following will also be present:-

Hungary

Dr Bányász
Mr Nagy
Mrs Abri
Dr Demus
Dr Bánlaki
Mrs Szemenyei

United Kingdom

PS/Lord Trefgarne
Mr Cartledge
Mr Broomfield
Miss Brown

Barbara Hutchison

8 January 1982

Miss Anne Hutchison
Visits Section
Protocol and Conference Department



Foreign and Commonwealth Office

London SW1A 2AH

8 January 1982

Dear John,

Call by the Hungarian Foreign Minister: 13 January 1982

I enclose a brief for the Hungarian Foreign Minister's call on the Prime Minister at 3.00 pm on Wednesday, 13 January. It comprises notes on:

- (a) Bilateral relations
- (b) The internal situation in Hungary and Hungarian Economic Policy
- (c) Hungary's reaction to events in Poland
- (d) Mr Puja

We understand from Marsha Fenwick's telephone conversation that you are prepared for Dr Banyasz, the Hungarian Ambassador and Bryan Cartledge, our Ambassador at Budapest, to attend the call. Mr Puja will also be accompanied by his interpreter, Dr Banlaki who will, as agreed, also interpret for the Prime Minister.

Yours ever,

(F N Richards)
Private Secretary

A J Coles Esq
 10 Downing St

CONFIDENTIAL

BRIEF FOR CALL BY HUNGARIAN FOREIGN MINISTER, MR PUJA,
13 JANUARY 1982 AT 3.00 PM

Bilateral Relations

1. Attach importance to our relations with Hungary. Glad we have now established a regular political dialogue, including contacts at a high level. Believe dialogue more necessary than ever at times of uncertainty in international relations.
2. Glad to note there are no substantial bilateral problems with Hungary. Wish to expand and develop a constructive relationship.

Visit by the Prime Minister to Hungary (Defensive)

3. Aware that there is an outstanding invitation to visit Hungary. Would like to do so at an appropriate time. No plans at present to do so.

General Meszaros [MET-ZAR-OSS] (Defensive)

4. As we have already informed the Hungarian authorities, the Home Office have carefully reconsidered this issue but have confirmed that they cannot authorise the return of General Meszaros's remains as the nearest surviving relative has refused permission. It is not possible for the Home Office to release any details about the relative in question.

Commercial Relations (if raised)


5. Commercial relations generally very good. Demonstrated by the friendly and fruitful exchanges between our countries through Ministerial and other high-level visits; close cooperation between our Chambers of Commerce and visits by business and technical specialists in both directions. Need to build on this goodwill to achieve a steady and sustained increase in trade.

Trade Imbalance (Defensive)

6. Recognise scope for improvement in trade. Current trends undoubtedly affected by world recession. Easing of recession in UK should help.

CONFIDENTIAL

/IMF Membership



CONFIDENTIAL

IMF Membership

6. Welcome Hungary's application to join IMF and World Bank. Understand application is now being processed in accordance with IMF procedures. Hope there need be no delays in procedure.

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BACKGROUND

The Visit

1. Mr Puja's visit to London, his second in five years, is in return for Lord Carrington's to Budapest in October 1980. It will provide the first opportunity for discussion with the Hungarian Government since the visit of the State Secretary for Foreign Affairs, Mr Nagy, in May last year. A personality note on Mr Puja is attached at Annex A.
2. Mr Puja's visit takes place against the background of events in Poland. The Hungarian regime's main anxiety at present is that the Polish crisis may cool East/West relations to a point at which Hungarian trade and other contacts with the West may suffer. Mr Puja's visit is therefore important to Hungary as it shows that the lines of communication are still open, that the East/West dialogue continues and that Hungary is playing her part in it.

Bilateral RelationsGeneral

3. Relations with Hungary are cordial but lack substance. This is perhaps inevitable given the limited nature of British interests in Hungary and the fact that Hungary displays a studiously orthodox approach to foreign affairs, particularly where loyalty to the Soviet Union can be demonstrated without material cost to the Hungarians. They remain nevertheless keen to develop relations with Western countries and avoid any deterioration particularly in economic links.

Visit by the Hungarian Foreign Minister

4. The Hungarian complaint of lack of high-level visits has to some extent been answered by Lord Carrington's visit to Hungary last October and Mr Puja's present visit.

Visit of the Prime Minister (Defensive)

5. The Hungarians are however pressing for a visit by the Prime Minister. (No British Prime Minister has visited Hungary.) An invitation to the Prime Minister was extended by the Hungarian Premier, Mr Lazar, to Mr Wilson in 1975. Although it has not since been formally renewed, the Hungarian Ambassador mentioned this informally to the Prime Minister in July of last year and has indicated that Mr Puja may wish to raise this during his visit.

6. There are no firm plans for the Prime Minister to visit Hungary. In view of recent developments in Poland it would clearly be inappropriate at the present time to give any firm commitment. The Prime Minister may, therefore, if asked, like to repeat what she told Dr Banyasz in July: that she would like to visit Hungary at an appropriate time but that there are no present plans to do so.

Recent Visits

7. The Hungarian Minister for Foreign Trade, Mr Veress, visited Britain in February of this year as the guest of Mr Parkinson and called on the Secretary of State for Trade and Lord Carrington. Mr Pullai, the Hungarian Minister for Transport and Communications, came to Britain in May as the guest of Mr Fowler and his visit coincided with that of Mr Nagy, the No 2 in the Hungarian Foreign Ministry who visited Britain at the joint invitation of Mr Blaker and the PUS. On outward visits, Mr Buchanan-Smith, Minister of State for Agriculture visited Hungary from 21-24 September and Mr Eyre, PUS for Trade went there from 5-9 October.

General Meszaros (Defensive) [METZAROS]

8. The Hungarian Government has been seeking permission to repatriate the remains of General Meszaros, a Hungarian leader of the 1848 revolt against Austria, who is buried in Herefordshire. The application has been refused by the Home Secretary since a great niece living in the US, who is also the owner of General Meszaros' grave, has objected. Hungarian emigrés have also been active in opposing the application.

9. Mr Nagy raised this matter with Mr Blaker in May, who promised to ask the Home Office to look again at the matter. After a careful re-examination of the question, the Home Office has said there is no reason to change their earlier decision to refuse the Hungarian request. The Hungarian Embassy has been informed of this decision, but as indicated by Mr Nagy, this is not a matter they will be prepared to let drop.

Trade

10. UK trade with Hungary is comparatively small, amounting to £112.3 million in 1980. Hungary occupied 73rd place among our export markets. Industrial development and modernisation in Hungary has been slower than in other East European countries: UK companies have failed to win contracts for any of the new major projects undertaken in recent years. The Hungarians have /however

however placed emphasis recently on seeking co-operation with UK companies in third countries.

Details of UK/Hungarian trade since 1977 are :-

	£ million					
	1977	1978	1979	1980	Jan, Feb Sep, Oct Nov 1980	Jan, Feb Sept, Oct Nov 1981
UK Exports	61.9	64.5	60.8	69.0	26.7	34.3
UK Imports	43.0	42.2	51.9	43.3	19.1	17.7
Total	104.9	106.7	112.7	112.3	45.8	52.0
Balance (in UK's favour)	+18.9	+22.3	+8.9	+25.7	+7.6	+16.6

Cultural Relations

11. Exchanges under the current programme are working well. Hungary, in common with other East European countries, makes much of the 'cultural imbalance' particularly in book translation. There is little we can do to offset this criticism although a Publishers Symposium organised by the British Council in Britain in 1979 provided an opportunity for Hungarian publishers to discuss their grievances with their British counterparts and gain a better understanding of the difficulties and constraints faced by our publishers.

12. The Great Britain/East European/^{Centre} continues to promote useful contacts with Hungary and organised a highly successful Round Table meeting in Hungary in November 1981.

Internal Situation

13. The internal situation in Hungary is probably the most relaxed of any East European country. Hungary has no separated groups and no significant dissident movement. Kadar, the Party First Secretary is firmly in control and enjoys considerable support. That the Hungarian people recognise this was shown when the 28th Anniversary of 1956 passed without any sort of incident or any evident support. But like other East European countries, however, Hungary faces a number of years of relative economic stagnation with the real possibility of some fall in living standards.

Economic Situation

14. Despite a lack of natural resources Hungary's economy, stimulated by the New Economic Mechanism facet introduced in 1968

/has

has been comparatively successful; her agriculture is among the most rigorous in Eastern Europe and her standard of living among the highest. Hungary's current hard-currency indebtedness to the West is \$9 bn. Aware of the increasingly unfavourable climate of East-West relations, Hungary has taken, by East European standards, radical steps to anchor the system more firmly in the mainstream of the international banking and financial system; firstly by achieving its intention to introduce a restricted form of convertibility in 1982 and secondly, by declaring publicly its decision to apply for membership of the IMF. It has also been pressing ahead with a domestic liberalisation of its economy.

Hungarian Reaction to Polish Crisis

15. The Hungarians have been anxious throughout the last 18 months to avoid any backlash from events in Poland and to minimise the political and economic disruption of the Polish crisis. Official reaction has been to welcome the imposition of martial law in Poland, and to condemn US measures against Poland and the Soviet Union. The Hungarian media are exploiting differences of view in the Western camp.

16. Despite official optimism that the emergency measures in Poland will work however, in private the Hungarian authorities are not so sanguine. The Hungarian leadership would like a quick solution in Poland based on a revived Communist Party and without a substantial Hungarian economic contribution. They are aware of the harm that prolonged military oppression will do to Socialist credibility and to their economic relations with the West. While echoing the Soviet propaganda line, the Hungarians will be concerned to limit damage to Hungarian interests.

1. FRIGYES PUJA [PooYA]

Minister for Foreign Affairs: Member of the Central Committee.

Born 1921. He trained as a typesetter and worked as a printer between 1934 and 1945. He joined the Party in 1944 and worked in local Party organisations for a number of years before joining the Foreign Service. His first important post was as Minister to the Scandinavian countries, resident in Stockholm between 1953 and 1955. He then served in Austria from 1955 to 1959 before being appointed Deputy Foreign Minister responsible for Western Europe and the Americas. In 1963 he became Head of the Foreign Affairs Department of the Central Committee and became a member of the Central Committee in 1966. He returned to the MFA in 1968 as First Deputy Minister and in 1973 succeeded Janos Peter as Minister. He paid an official visit to Britain in 1972 and was host to Sir Denis Greenhill and to Mr Julian Amery in 1973. He received Mr Hattersley when he visited Hungary in December 1974 and was host to Mr Callaghan in July 1975. He again visited Britain in 1976 as the guest of Dr Owen. He was seen by the Prime Minister during his visit to Britain from 27 February to 2 March 1977. Received Mr Edmund Dell in July 1978. Travels very extensively.

Married with one daughter. His wife is dull and heavy going. He speaks German and a little English, but his wife speaks only Hungarian, although she can understand English to some extent.

A muscovite who takes a hard line though he now frequently emphasises in public the need for detente in

/Europe

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Europe and his devotion to the spirit of Helsinki. There are reports that in Vienna in 1956 he 'wobbled' over backing the Imre Nagy Government and fled to Prague. This may explain the orthodox line he takes now. He has a predictable and charmless hard-line approach, but is capable of an occasional glint of humour. He enjoys an argument and for the most part conducts it good-humouredly.

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Europe and his devotion to the spirit of Helsinki.
There are reports that in Vienna in 1988 he 'wobbled'
over backing the late Nagy Government and fled to Prague.
This may explain the orthodox line he takes now. He
has a predictable and obvious hard-line approach, but
is capable of an occasional kind of humour. He enjoys
an argument and for the most part conducts it good-
humouredly.

CONFIDENTIAL

Hungary

Lee

15 December 1981

VISIT OF THE HUNGARIAN FOREIGN MINISTER: INTER-
PRETATION

The Prime Minister agrees to the interpretation arrangements set out in your letter of 14 December.

E. J. COLES

U

Francis Richards, Esq.,
Foreign and Commonwealth Office.

CONFIDENTIAL



Foreign and Commonwealth Office

London SW1A 2AH

14 December 1981

Prime Minister

It is rather odd to ask the Hungarians provide the interpreter. but it would be difficult and expensive for us to get a good one.

2. Agree to the Hungarians doing it?

A.J.C. 14/12

Dear John

Visit of the Hungarian Foreign Minister: Interpretation

Caroline Ryder's letter of 5 November confirmed that the Hungarian Foreign Minister will call on the Prime Minister at 1700 hrs on Wednesday 13 January.

Mr Puja, who speaks no English, will be accompanied by his official interpreter, Dr Banlaki, who until recently was posted in London and speaks fluent English. We would have great difficulty in providing adequately qualified interpreters of comparable fluency. In view of the known reliability of Dr Banlaki's interpretation, we should prefer to rely on him for Mr Puja's talks in the FCO and elsewhere during his visit. Our Ambassador in Budapest, who has some Hungarian, will be present throughout the programme and is confident that he will be able to detect any serious errors of interpretation. Similar arrangements, similarly monitored by Mr Cartledge, proved perfectly satisfactory during Lord Carrington's visit to Hungary last year.

I should be grateful for your confirmation that you have no objection to this course for Mr Puja's talks with the Prime Minister on 13 January.

Yours ever,

(F N Richards)
Private Secretary

A J Coles Esq
10 Downing Street



Foreign and Commonwealth Office

London SW1A 2AH

<i>Car 026/1</i> 24 September 1981 RECEIVED IN REGISTRY NO. 15 - 20 OCT 1981 -	
DESK OFFICER	REGISTRY
INDEX	Action Taken

B G Cartledge Esq CMG
 BUDAPEST

Mr. Brown

POSSIBLE VISIT BY THE PRIME MINISTER TO HUNGARY

- Judith Brown has shown me your interesting letter of 27 August with which you enclosed a copy of Dr Banyasz's letter to you of 11 August. We were grateful for the forewarning.
- Dr Banyasz in fact mentioned this subject in conversation with Nick Fenn on 11 September when he again recalled his discussion with the Prime Minister of 29 July and said he hoped we could pursue the possibility of a Prime Ministerial visit to Hungary. He has not yet raised this directly with the Department but we expect that he may do this shortly. He is coming to see me later this week.
- As you say, the question of an invitation to the Prime Minister does not seem to have been renewed since it was extended by Mr Lazar to Mr Wilson in 1975. At present there are no firm plans for a visit by the Prime Minister to any East European country. If therefore Dr Banyasz raises this with us more formally, we shall say that we are sure the Prime Minister would like to visit Hungary at an appropriate time but that at the moment there were no plans to do so. The next event in our bilateral relations will be Mr Puja's visit to London in January.
- I note that you may wish to return to this subject yourself at a later stage. As I write, your comments and forebodings appear well justified. Perhaps we could discuss when you are here for Puja's visit. The picture may be clearer then.

Yours,

NH

N H R A Broomfield
 East European & Soviet Department

file

Hungary ds

~~5 November 1981~~

This is to confirm that the Prime Minister will receive Mr. Puja, the Hungarian Foreign Minister, at 10 Downing Street on Wednesday 13 January at 1700 hours. Could your brief please reach us by close of play on Friday 8 January.

CAROLINE STEPHENS

~~Ms. Marsha Fenwick,
Foreign and Commonwealth Office.~~

MS



10 DOWNING STREET

MODBA

If you want
the PM. to see.
PUTA. It could
be arranged.

Cf.

4/11

L. E. S.

R Street ADLEY 97P

16/11

2 November 1981

Case cancelled

MAP 17/11

I attach a copy of a letter the Prime Minister has received from Mr. Robert Adley, MP.

I should be grateful if you could let me have a draft letter which the Prime Minister might send to Mr. Adley, and if this could reach me by Monday 16 November.

MAP

Francis Richards, Esq.,
Foreign and Commonwealth Office.

RAB

MR. ALEXANDER

Do we need to consult the FCO for a reply to this letter, or can you provide a draft?

MA

Consult F.C.O.,

Paul

2 November, 1981.

2 November, 1981.

I write on behalf of the Prime Minister to thank you for your letter to her of 29 October concerning your discussion with the Hungarian Ambassador.

Your letter is receiving attention, and a reply will be sent to you as soon as possible.

M. A. PATTISON

Robert Adley, Esq., M.P.



HOUSE OF COMMONS
LONDON SW1A 0AA

29 October 1981

*SUBJECT: Mr Carr's
Visit to Hungary.
October '81*

RT Hon Mrs M Thatcher MP
Prime Minister
10 Downing Street
London SW1

Wearing my hat of Chairman of the British Hungarian Parliamentary Group, I had a private discussion yesterday with the recently appointed Hungarian Ambassador, Dr Banyasz.

The political situation in Hungary, a country I have visited five times in the past few years, is extremely interesting. Peter Carrington's recent visit was greatly appreciated. I believe that in the broadest terms of East - West relations it is vitally important for countries like Britain to foster good relations with countries like Hungary.

Dr Banyasz expressed to me his disappointment that it is now more than 60 years since a British Prime Minister visited his country. It seems we are almost alone among western countries in being in this position. I wonder if you have given any thought to this: in many ways Hungary is less "socialist" than Britain, and their political emancipation from dominance from the Soviet Union can only be furthered by the closest contact between Hungary and the free countries of Western Europe.

*Hungary**CF*

19 October 1981

I enclose a letter which the Prime Minister has received from Mr. Bela Varga about the 25th anniversary of the Hungarian uprising in 1956. Mr. Varga gives no address so his letter has not been acknowledged. May I leave it to you to take any further action which seems to be appropriate?

MICHAEL ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.

So

October 6, 1981

Prime Minister Margaret Thatcher
England

Your Excellency:

October 23rd of 1981 marks the 25th anniversary of the first day of the Hungarian Revolution. The Hungarian people, in a spontaneous uprising, defeated the Soviet occupation forces, a Moscovite terrorist ruling clique, and the Soviet controlled secret police. The Revolutionary Government proclaimed Hungary's neutrality, requested protection from the United Nations and demanded the withdrawal of the Soviet occupation troops from Hungary.

The Soviet Union agreed to hold negotiations for the military withdrawal, but at the same time, concentrated overwhelming forces near the Hungarian border and, on November 4, 1956, attacked the Hungarian people with thousands of tanks, crushing the freedom fighters.

The United Nations condemned the Soviet Union in 14 resolutions, demanding the withdrawal of the Soviet forces and free elections in Hungary. But the Soviet Union and the Soviet-installed puppet regime ignored the U.N. resolutions.

Hungary's tragedy was an example of Soviet ruthlessness. Unfortunately, the free world was unprepared to help the Hungarian people and the United Nations proved to be impotent. The consequences were long years of oppression and suffering in Hungary and, subsequently, the Soviet invasion of Czechoslovakia in 1968, and the Soviet invasion and occupation of Afghanistan in 1979. With an independent and neutral Hungary, the tensions and danger would be reduced in Europe and in the world.

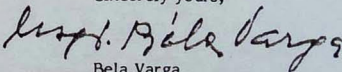
The Hungarian people, talented and individualistic, survived remarkably well despite the Soviet colonial system and the fact that Hungary is forced to pay for the costs of 70,000 Soviet occupation troops who are "temporarily" in Hungary--for 35 years. But, in the face of the democratic revival in Poland, there are signs that Soviet pressure is becoming stronger in Hungary. This could drive the Hungarian people into fatal despair again. Facing a hopeless and fearful future, Hungary's birthrate is one of the lowest in the world.

The Hungarian people will never forget the magnanimous humanitarian aid given by your country to Hungarian refugees.

As the former President of the Hungarian Parliament, I ask your Excellency to call for a remembrance of the heroic struggle of the Hungarian people and to condemn the brutal Soviet aggression and oppression.

Please, Your Excellency, accept the expression of my deep esteem.

Sincerely yours,



Bela Varga
Former President of the
Parliament of Hungary

CHAIRMAN OF HUNGARIAN
COMMITTEE CALLS FOR
POLISH SOLIDARITY

HON. BENJAMIN A. GILMAN

OF NEW YORK
IN THE HOUSE OF REPRESENTATIVES

Wednesday, July 29, 1981

● Mr. GILMAN. Mr. Speaker, on July 8, 1981, Msgr. Bela Varga, the chairman of the Hungarian Committee—an organization of democratic Hungarian politicians exiled by the Communist regime in Hungary—issued a statement on Poland which should be of interest to my colleagues. Msgr. Bela Varga, who currently resides in New York, was the Speaker of the Hungarian Parliament after the relatively free 1945 election but had to flee following the Communist coup in Hungary at the end of May 1947.

For his work in aiding and saving French prisoners of war in Hungary during World War II, he had received the Legion of Honor from President Charles de Gaulle. Varga was also active in saving Polish refugees and officers in Hungary during the war and many Jews during the German occu-

July 29, 1981

CONGRESSIONAL RECORD

ption of Hungary after March 20, 1944.

Msgr. Varga's remarks demonstrate the affinity between the Polish and Hungarian peoples and their aspirations to independence and political freedom and shows that the Polish workers movement is regarded as the harbinger of radical change in all of the region, not just in Poland.

STATEMENT OF MSGR. BELA VARGA, CHAIRMAN,
HUNGARIAN COMMITTEE AND FORMER SPEAKER
OF THE HUNGARIAN PARLIAMENT, 1945-47

The Hungarian people are historically tied to their Polish brethren.

The fate of both nations has been indeed similar. They fought valiantly against their occupiers and sacrificed grievously in order to retain their independence. Only thus could they have survived oppression and remain living parts of the cultural, political and economic life of Europe.

Today, the Polish people strive for their independence alone. Its workers commenced the struggle and in their hands rests the future of Poland as they forged the national unity now prevailing. Their weapon is their faith and the participation of the overwhelming majority of the nation, though their fate is still tied to Moscow. Yet no matter what the final decision will be in the Kremlin, it may decelerate the drive for Polish freedom out never defeat it.

The Hungarian people at home cannot openly endorse and sympathize with the people of Poland and, therefore, it is necessary for us to do so in their behalf.

We sincerely wish that the wisely and valiantly conducted Polish struggle for independence should attain its goals. Such success would not only solve Poland's problems but benefit all peoples behind the Iron Curtain and would certainly weaken the colonizing power of the Soviet Union.

The Hungarian Committee warns the Government of Hungary from participating in any Soviet action against the Polish people. The martyr Hungarian premier, Paul Teleki prevented at the outbreak of World War II German use of Hungarian territory during their invasion of Poland. After the Soviet and German invasions, Hungary became the second home for civilian and military refugees from Poland.

If the Hungarian regime is unable to support the independence struggle of Poland, it at least should not harm it or inflict irreparable damage on the historical Polish-Hungarian friendship and Hungarian honor.

May God help the Polish nation. ●



Hungary JS

10 DOWNING STREET

From the Private Secretary

23 September 1981

Thank you for your letter of 17 September about the visit to this country of Mr. Puja. I note that Mr. Puja will only have Thursday 14 January available for talks. If that is the case, it will not be possible for the Prime Minister to see him. If, however, Mr. Puja will be arriving sufficiently early on 13 January to have a meeting that day, I will discover whether the Prime Minister is willing to see him.

M. OD. B. ALEXANDER

Francis Richards, Esq.,
Foreign and Commonwealth Office.



10 DOWNING STREET

Mr. Alexander

Not v. convenient
until he arrives by
weektime on Wed.
On Thursday 14: we
have Cabinet, Questions
& depart for Tower at
1600 - away Fri
15.

EJ.

23.9.67



Caroline: ?

Foreign and Commonwealth Office

London SW1A 2AH

17 September 1981

Dear Michael,

Lord Carrington has invited Mr Puja, the Hungarian Foreign Minister, to visit the United Kingdom for talks from 13-15 January 1982. The Hungarians will certainly hope for a courtesy call on the Prime Minister and this would accord with normal practice. The call need not be long as Mr Puja will effectively only have Thursday 14 January available for talks. I hope that the Prime Minister may be able to agree now to see Mr Puja that day so that we can take this into account in planning the rest of the programme.

Yours ever,

(F N Richards)
Private Secretary

M O'D B Alexander Esq
10 Downing Street
LONDON
SW1

Hungary

2 March 1981

The Prime Minister has asked me to thank you for your letter to her of 24 February conveying a message to her from the First Secretary of the Hungarian Socialist Workers' Party.

MODBA

His Excellency Mr. Janos Lőrincz-Nagy.

E.

18 SEP 1981

SEP 18 1981
K 1 2 3 4 5 6 7 8 9 0

MAGYAR NÉPKÖZTARSASÁG NAGYKÖVETE
AMBASSADOR OF THE HUNGARIAN PEOPLE'S REPUBLIC
LONDON

35. EATON PLACE,
LONDON,
S.W.1.

01-235 7191/4048

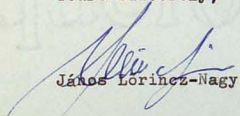
24th February, 1981.

R26/2

Dear Prime Minister,

Mr. János Kádár, First Secretary of the Hungarian Socialist Workers' Party has requested that I convey his thanks to you, and at the same time reciprocate your good wishes extended on the occasion of the New Year.

Yours sincerely,



János Lőrincz-Nagy

Prime Minister and First Lord of the Treasury
and Minister for the Civil Service,
The Rt. Hon. Margaret Thatcher,
10 Downing Street,

London, SW1

