

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

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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).

Yours ever

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 in the same sense 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 grants in kind 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 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 JACKSON
Private Secretary

Private Office
 Home Office
 Green Lane
 14 January
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14 JAN 1982