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*W. J. P. 25/12*

*My dear Bryan,*

THE HUNGARIAN COMPROMISE

1. We have been giving some thought to future exchanges with Hungary following on from the Secretary of State's visit and the Department will be writing to you about this shortly. Meanwhile I should like to thank you for your 'Hungarian Quartet' of despatches which you sent as background for the visit, and for your subsequent despatch reporting the visit itself. The former in particular was both fascinating in itself and extremely useful in briefing the Secretary of State, as you will have seen from the briefs that were prepared. All have been given a wide distribution.
2. We found your despatches particularly helpful in illuminating the curious balance of interests and systems that make up Hungary today. We were also struck by the forecast in your fourth despatch of the possibility of increasing unease and rebelliousness as the long shadow of 1956 passes away and strains begin to tell on the Hungarian economy. The future development of events in Poland could also play an important part here.
3. I will not of course fall into the trap of comparing conditions in Hungary and Poland. Nevertheless it is worth remarking that a number of Poles are emphasising the contribution made to their present problems by the increase over the last decades in the number of educated and qualified young people with commensurately high expectations. Their frustrations have been amplified by Poland's economic failings. Hungary has, so far, been more effective in providing the goods. But if economic difficulties increase over the next few years, or if relative material well-being ceases to be so powerful an influence on the minds of the young, similar problems could perhaps arise in Hungary. And the problems may be exacerbated by some of the measures that may be necessary to help Hungary weather the poor economic prospects of the next five years, such as officially tolerated unemployment.
4. Perhaps I might just add a comment or two about the view from two neighbours of Hungary's. The Austrians made clear to us during their Foreign Minister's visit earlier this month not

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only the extent of their relationship with Hungary but also their determination not to allow events elsewhere to affect their ability to keep open what to them is an essential "window on the East". But of course the new Austro-Hungarian relationship can develop only so long as the Hungary of Kadar is successful in maintaining the 'Compromise'. Second, the Yugoslavs, as we all observed during the Prime Minister's visit in September, in analysing the fundamental crisis of central authority in the Soviet-style Communist State exemplified by the near Polish experience, naturally stressed the extent to which the Yugoslav model, for all its imperfections, had found a way of siphoning off the inherent tensions in a Communist autocracy. But while Yugoslavia was unique and its practices obviously incompatible with Soviet prescriptions, they saw Hungary as occupying a half-way stage towards Yugoslavian "democracy", not only in the economic sector - the parallels, such as they are, between self-management and the New Economic Mechanism - but also in the relationship between the party, government and society at large, in the ability of the man with a complaint to push that complaint upwards through the same channels as "authority" transmitted its intentions downwards. It was the absence of that two-way traffic which, so the Yugoslavs saw it, was the Poles' weakness; but Kadar had found a way of defusing trouble without crossing the borderline between flexibility and heresy.

5. We all look forward with anticipation to your further reports. What further topics do you propose so that Quartet can become Octet or even orchestra?

*JMS ew*

*Julian*

*fw*

E A J Fergusson

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