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

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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

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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

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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

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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.

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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.

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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.

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Hungary Briefing

Who do I invite
for this?

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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.

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