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Record of a Conversation between the Prime Minister and First Secretary Kadar at 1205 hours on Friday, 3 February, at the Parliament Building, Budapest

Present:

Prime Minister
Mr. Coles

Mr. Kadar
Mr. Banlaki (Interpreter)

Mr. Kadar said that Hungary greatly appreciated the Prime Minister's visit which was unique in the context of Anglo/Hungarian relations and took place against a particular international background. He believed that, in order to undertake the visit, the Prime Minister had had to make a political commitment, and he welcomed that. He was glad to have the opportunity of meeting her in person, and suggested that they should talk informally about the questions which the Prime Minister considered worth discussing. He already knew of the Prime Minister from the media, but he was now glad to meet her in person. They had almost met once - at the funeral of the late President Tito in Belgrade. When he had returned to Budapest from that event he had told his colleagues that Mrs. Thatcher had eyes and knew how to look around.

Hungary had its own situation and its own problems. Its top priority at present was to maintain a reasonable balance of payments situation and conserve its ability to meet its international financial obligations. For some years, Hungary had been compelled to work under very complex international financial conditions. It had sought understanding from the international financial world, and had experienced both understanding and frankness from British financial circles. This was warmly appreciated, and he wished to express his gratitude. He hoped that by the time her visit ended, the Prime Minister would think that it had been worth while.

/The Prime Minister

CONFIDENTIAL

CONFIDENTIAL

-2-

The Prime Minister said that she had much wanted to visit Hungary. She felt it was wrong that no British Prime Minister had visited it previously. Hungary was renowned in Britain for its talented people. Although we belonged to different alliances and had different political commitments, we needed to be able to talk across the dividing line and develop our bilateral contacts. These were enhanced when personal contacts were good. Before she had left London, the last Governor of the Bank of England had telephoned her to say that she should be sure to meet his opposite number in the Hungarian National Bank. The two had worked closely together. This was an example of good personal contact. Mr. Kadar agreed.

The Prime Minister said that both Britain and Hungary had lived through a turbulent period when many wrong decisions had been made. Those decisions had led to tragedies across Europe of which Mr. Kadar had considerable experience. She had been studying the history of that period, to see what errors could have been avoided. Last summer she had assembled a group of people to consider the future strategy of Britain against the background of the current international situation. Only 16 years remained until the year 2000. We must not make mistakes again.

Above all, she was passionately concerned to ensure that peace was maintained - not just a passive peace, but a peace based on mutual respect between nations, and opportunities for people to devote themselves, in their own ways, to their own future and their own aspirations. By last autumn we were concerned about the state of the relationship between the two major alliances, and felt it could not be allowed to deteriorate. Even the super-powers needed friends.

In September last year she had visited President Reagan and had discovered that the US Administration had been coming

/to

CONFIDENTIAL

CONFIDENTIAL

-3-

to similar conclusions. But their plans had been disrupted by the Korean airliner incident. Previously they had been attempting to develop the US/USSR relationship. For example, the grain agreement had been renewed just 10 days before the Korean airliner had been shot down. That incident had prevented all progress for a time.

She often had long and frank talks with President Reagan who was a close friend. The President was a very honest and honourable man who really wanted to do the right thing. During his first year in office, he had felt that he and Brezhnev were of the same generation and had both seen the tragedies of history. Brezhnev had a particular experience of these, because the Soviet Union had been occupied. President Reagan felt that both of them ought to be able to share a desire to prevent further tragedies and to create a more secure world. He had written a long personal letter to Brezhnev in his own hand. But he had been very disappointed to receive, after a long delay, a routine reply. Since that time, he had attempted to put the United States in a position whereby relations between the two alliances could be improved, realising that each must be in a position of strength.

There was much propaganda on both sides. But it was impossible to avoid the feeling that the present international situation was very serious. Technology was moving very fast. Yesterday's weapons quickly became outdated. The burden of armaments was expensive. It ought to be possible to secure agreements so that it was not necessary to move to another stage of weaponry. Above all, we needed to reduce the nuclear armouries which were far too large. It was also necessary to reduce conventional weapons for conventional war was a terrible phenomenon. Those were sincere objectives. Leaders had a duty to posterity. We were entering a period

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CONFIDENTIAL

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CONFIDENTIAL

-4-

which was potentially dangerous. The United States would be preoccupied with elections for the rest of 1984. We did not know what was happening in the Soviet Union. It would not be possible for a Western leader to fail to appear in public for six months. The uncertainty was great. Arms control talks had broken down. In this period of hiatus, the smaller nations should do everything possible to maintain stability and make progress. We should seek to prevent untoward events which could have terrible consequences. It was also necessary to develop our economies because our peoples wanted a higher standard of living. But that would be to no avail without security and mutual respect. We ought to consider how Central Europe and East/West relations would develop in the next 20 years.

Mr. Kadar said that the Prime Minister had raised very important topics. It might sound strange to her but as regards her analysis of the situation, he entirely agreed with her remarks. It was not necessary to discuss the reason for the current situation because that would lead to argument. But he accepted the analysis which the Prime Minister had given.

The Prime Minister had referred to the need for peace - and not just a passive peace. That was exactly what was necessary. He welcomed the efforts and aspirations which the Prime Minister had signalled. There was a common interest in these matters.

Political meetings of this kind were very important. We needed to understand each other better. With regard to meetings in the context of East/West relations, the people concerned usually made a better impression on each other than was suggested by their propaganda.

/The Prime Minister's

CONFIDENTIAL

CONFIDENTIAL

-5-

The Prime Minister's reference to the "smaller countries" showed great modesty on the part of a British Prime Minister. Britain and Hungary were not equally small.

At one time, the Hungarian people had been very small in numbers. They were Finno-Ugric in origin, and had no ethnic relations in the area. Hungary was a place of busy traffic, the cross-roads of marching armies. The Prime Minister had referred to the talents of the Hungarian people. The very fact that Hungary had continued to exist with a population of only 10 million had required the ability to live under all circumstances. But the Hungarian people were alive, and the country had relative stability, despite unfavourable external conditions. There were always problems and reasonable solutions had to be found. Over the past 25 years the Hungarian situation had changed fundamentally (compared to 1956) and there had been certain achievements.

It should not be forgotten that until the end of the First World War Hungary had been part of the Austro/Hungarian empire. Within that empire Hungary had been independent. After the war, it had lost two-thirds of its territory, as he had publicly recalled at Helsinki. Before that time people of many other nationalities had lived in Hungary, but it had to be recognised that Hungary had suppressed them. Now, Hungary had 5 neighbours, all of whom had received quite large parts of its former territory. About 5 million Hungarians lived in surrounding countries. Then in the Second World War Hungary had been an ally of Hitler. The masses had not entered that war enthusiastically, but the then system in Hungary was fascist and founded on national incitement. Hitler had then unleashed a competition in the area by the terms of which those countries which best supported him would receive most territory. A portion of former Hungarian territory had been restored. Then there had come the "just conclusion" of the Second World War when Hitler was destroyed by the anti-fascist Coalition. No border adjustment which had been imposed by Hitler could have been accepted. So at

/Helsinki

CONFIDENTIAL

CONFIDENTIAL

-6-

Helsinki he had thought it necessary to state that Hungary accepted the inviolability of borders. But he had said that on behalf of a country which had lost two-thirds of its territory. Dr. Kissinger who had been present had asked whether these remarks meant that Hungary was seeking the recovery of its former territories. He had received a negative reply.

The Prime Minister suggested that this had been a historic compromise. Mr. Kadar agreed. Hungary had to live with the situation. But it produced problems and complicated life in this area of the world. Great effort was necessary to prevent nationalist tendencies developing. At the present time Hungary was alive and functioning with a socialist system of which he was an advocate. That system had given a great deal to the people of Hungary though he was, of course, making a comparison with the past. At the end of the Second World War Hungary had been a feudal country, 56% of whose population worked in agriculture. Different conditions had now been created. It was within the socialist system that Hungary wished to solve its problems. Some of its achievements were internationally recognised. Political stability had been achieved, and that was no mean achievement in the light of 1956. The Hungarian Government wished to work in harmony with all honest Hungarian citizens, for the common good. Irrespective of whether he was a Communist, a believer, or a member of a national group, the citizen should take part in serving his country. The Government spoke openly to the people and listened to their views. There were everyday problems and difficulties. It was necessary to have realistic prices for both producers and consumers. From time to time prices had to be raised. This won no applause and was an unpleasant process. Why did it have to be done? Hungary was a small country and its domestic market was correspondingly small. A certain productive capacity had been created, but it was not internationally significant. Many materials, in addition to energy supplies, had to be imported, and these had to be paid for. So Hungary's international economic

CONFIDENTIAL

/relationships

CONFIDENTIAL

-7-

relationships were extensive. But it was always scrupulous in repaying its debts. Its only capital was a good name. Even in 1956, when street fighting was in progress, the international bills were paid. And they were still paid despite the level of interest rates.

Hungary was maintaining relations in all directions, and wished to continue to do so. This was a necessity. About half of its trade was with countries outside COMECON. And the significant part of this was with Western Europe. Hungary did not want this sphere to be monopolised by certain countries - and he said that even to the Federal Republic of Germany. The latter had been most successful in exploiting opportunities. The Prime Minister commented that Germany was very efficient in manufacturing. It was Britain which produced most of the scientific and technological breakthroughs, but it was Germany, the United States, and Japan which exploited them. Our performance in this respect was now becoming better. We were beginning to deal with our trade unions. Mr. Kadar said that he was aware of this. Budapest was a great producer of jokes. 20 years ago there were jokes to the effect that the Second World War had really been won by the Germans. The Prime Minister said that she understood that remark. But she took pride in the fact that she was the Prime Minister of the only country in Europe that had fought fascism from the first day of the war until the last. Just as Hungary had shown a talent for survival, Britain had demonstrated a talent for the sustained defence of the things in which it believed. It also had an outward looking vision.

Mr. Kadar said that Hungary had introduced a system of economic management which had acquired an international reputation. That was why he was a proponent of the socialist system. The Western media attributed the success of Hungary's economic management to the application of capitalist methods.

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CONFIDENTIAL

In fact, the success was due to Hungary's habit of looking at problems as they were and searching for logical solutions. He held that certain basic socialist institutions were necessary for the good of the people. But the present system still had weaknesses. For example, the decision-making process was too cumbersome and slow, even in the economic field - and the interest of the individual in production was weak. The Prime Minister commented that individuals lacked incentives. Mr. Kadar said that, to put it crudely, the present society sustained not just the diligent but the others as well. So, the new economic policy had been introduced to stimulate individual motivation and make the socialist system more vital.

He did not wish to dwell too long on the international situation because, as he had said, his analysis was much the same as that of the Prime Minister - including her recognition that the difference between the two systems was a historical fact which could not be changed.

The Prime Minister said that she thought that she had had considerable influence with President Reagan last September. We could not go on in the same way. There must be more contact with the Warsaw Pact countries. We were not trying to change their system which was a matter for them. The two alliances had to live together. President Reagan accepted this but had told her in September that it was for Moscow to make the first move in promoting a dialogue. She had thought that we could not wait for this. So she had begun to advocate publicly more contact with the East. Eventually, on 16 January, President Reagan had made his speech about East/West dialogue. This had been a significant step forward. She had studied Mr. Andropov's reply which had taken the line that it must be for the United States to make the first move. In this situation countries like Britain and Hungary had to ask themselves what they could do to bring influence

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to bear. She believed that she could influence the United States' President. But if anything happened in Europe, Britain would be a floating aircraft carrier. Mistakes had been made in central Europe in the past. Could Mr. Kadar see any basis for the wider dialogue and the mutual respect which were the only way forward?

Mr. Kadar said that he attached very great importance to maintaining a consistent attitude. Hungary took the same position on every topic, regardless of whom it was addressing. He noted the Prime Minister's remarks about President Reagan's speech. He could not comment on her assessment of his character because he did not know him. The Prime Minister repeated that President Reagan was absolutely sincere. Mr. Kadar said that a succession of American visitors - senators, congressmen, Dr. Hammer, Vice President Bush - had all told him that Reagan wanted peace. He (Mr. Kadar) had had good talks with Mr. Bush but the latter had then made his speech in Vienna. It had not been a helpful speech, either for the Hungarians or for the Americans. But that was in the past. All he could say was that he could not refute the view that Reagan was a man of peace. He had told Mr. Bush that he would take his word for it but he had to say that from a distance things looked rather different.

The Prime Minister said that President Reagan had been very conscious that US defences had been run down by President Carter. He had had to restore US confidence so that he was able to speak to the Soviet Union on equal terms. The Viet-nam factor should not be forgotten. But President Reagan had a passionate desire to make progress with disarmament talks.

What was there left for leaders like herself and Mr. Kadar to do except to provide a positive peace for their children? We would urge President Reagan to resume dialogue and to take the view that the West had a political system

/which

CONFIDENTIAL

-10-

which it would always defend; but that there was another - in the Warsaw Pact countries - with which we must do business. As President Reagan had said, both sides might find that they had a common interest in the future.

Mr. Kadar said that he had read President Reagan's speech. He did not say that it was of no value. Its tone was good and in the present conditions it should not be underestimated. The change of tone might help somewhat in the future.

The Prime Minister's remark to the effect that the two different systems existed, and that we had to talk on this basis, was an important new development in international life and an influence in a positive direction. The mere fact of her visiting Hungary was very important and in a good cause.

His talks with Vice-President Bush had been frank. He had advised the Vice-President to look more realistically as a certain process in world history. This could be seen at work in Central America, Latin America, the Middle East, Africa and Palestine. It was very simplistic to believe that people were rebelling because they were inspired by Soviet, East European or Cuban agents. That was not so. People living in backward conditions wanted to live differently. Here in Europe we treated obesity medically. Meanwhile, the rest of the world was hungry.

Recently, he had had long talks with President Machel of Mozambique (the Prime Minister interjected that she too had met Machel and had got on very well with him). He was an intelligent man. His people had started a bush war and had had good reason to do so. They had turned to the Soviet Union and China for help. They thanked those who helped them and condemned those who did not. They had their own aspirations. The problems of the developing world could not be solved by a simplistic approach. The Prime Minister recalled

/that

CONFIDENTIAL

CONFIDENTIAL

-11-

that Britain had given independence to most of Africa as well as many other countries. Mr. Kadar said that Britain, and France under de Gaulle, had understood the developing world. If the United States approached developing countries similarly, it would make more headway. The lessons of the Aswan dam should not be forgotten. Nasser had wanted American credits but had been rebuffed and had turned to the Soviet Union. As a result, the Soviet Union had been accused of moving into Africa. The Aswan dam was still there but where was the Soviet Union now? The Prime Minister said it might be better not to spend time in discussing Egypt. With regard to Central America, the only stable democracy was Belize where we had continued to station troops, in response to a request from Belize, because of a threat from Guatemala. The real problem in Central America stemmed from the fact that, unlike Europe, the area possessed no middle class with a social conscience.

The United States was full of people who had gone there to get away from oppression and live their life. They had come from all over Europe. The United States was the land of the free but Americans did not always appreciate the history and sophistication of other parts of the world. They simply wanted to extend the area of freedom. But they were generous and gave much aid.

But the question remained: what could we do? Europe from the Atlantic to the Urals had great wisdom and experience. What could it do in this hiatus? Because, whatever we could do, we had a duty to do it. Her view was clear. There were different sets of political beliefs but those were a matter for the peoples concerned. We should be at one in trying to develop our own ways of life in peace, security and conditions of mutual respect.

Mr. Kadar repeated that we had to look at countries as they were. The Western press called Hungary a Communist country. It was not Communist. He would like it to be. One day it
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CONFIDENTIAL

CONFIDENTIAL

-12-

would be. In Nicaragua, there were bishops in the government and the churches were involved in politics. But it was still said that Nicaragua was a Communist country. He had had talks with the late Maurice Bishop 10 days before his death. Bishop was not a Communist. He had wanted to achieve something for his people.

But he (Mr. Kadar) agreed with the Prime Minister 100% that we must work on the basis of existing realities. This was the only way in which East and West could be partners. It was sometimes said that countries which were partners of the Soviet Union should be detached from it and influenced in a different direction. What was the reality? Socialism was a very young system. It would mature into a stable and strong system if it took into account historical traditions and national peculiarities. That process was moving ahead. But if international tension or conflicts developed, the process would not continue. The Prime Minister said that she understood that point. In times of tension, things polarised, Mr. Kadar said that was correct - that was why Vice President Bush had not been helpful in his Vienna speech. The Prime Minister commented that she knew that Mr. Bush was worried about that speech. Mr. Kadar said that Mr. Bush had sent him a message to the effect that he realised it had been a mistake.

In the future, the differences between the socialist countries would be as great as those between Britain and France. With regard to the Soviet Union, he had spent half of his talks with Mr. Bush urging him to understand that the United States could not change the social system of the Soviet Union either by propaganda or by arms. Everyone knew that America was far ahead of Russia in material conditions. One did not know whether the Soviet Union would ever reach the US level or, indeed, whether it should. But look at the distance which the Soviet Union had travelled from Czarist times.

/The

CONFIDENTIAL

CONFIDENTIAL

-13-

The Soviet people measured their own achievement by a yardstick different from that used by outsiders and would not let that achievement be threatened. We should recall how they had fought in the last war. The Soviet Union was rich in resources. And there was one area in which it could keep up with the West and always would - that was the field of armaments, the worst subject of all. The Prime Minister commented that the Soviet Union appeared to be prepared to devote great resources to the production of arms. She knew that the Soviet regime attributed its achievements to the Marxist/Leninist system. It also attributed to that system the attainment of super-power status. But we were still left with the same question. The American and Soviet military apparatuses were both very powerful. Each was tied by its own ideological system. But could business be done with the Soviet Union on the basis of mutual interest? Mr. Kadar said "yes". The Prime Minister said "how?". Mr. Kadar said "with patience and understanding". There was a feature of Soviet policy that others were unable to understand. It was a country with a history of being attacked and threatened. Both the Soviet leaders and the man in the street felt this. Neither wanted war. But the sense of being threatened was there. The talks between East and West should take into account the justified security concerns of both sides. That was the root of the matter.

The Prime Minister said that the Soviet Union had started by being a few states around Moscow. But on the basis of being concerned for its security it had progressed to the borders of China and Iran and up to Berlin. That was a long distance to travel on the basis of security concerns. Could Mr. Kadar not see what the West was worried about? The logic of the Soviet position was that wherever its border happened to be it had to acquire the neighbouring country. NATO had put a stop to that. It was now understood that no-one could trespass across the NATO line. This was an advance and conferred a security that did not exist before.

/Mr. Kadar

CONFIDENTIAL

CONFIDENTIAL

-14-

Mr. Kadar said that he had to correct one expression which the Prime Minister had used. She had said that the Soviet Union was afraid. It was not afraid. To quote his earlier words, it had a sense of being threatened. The Prime Minister replied that the West threatened no-one. It simply sought to defend itself. Mr. Kadar said that we should put ourselves in the position of the Soviet leaders who had worked on SALT II for 7 years and had got nowhere. The Prime Minister said that SALT II, though it had not been ratified, was observed. Mr. Kadar then referred to the MBFR talks in Vienna. He could not say this publicly, but the Vienna process during the last 10 years had been ridiculous. Both on Vienna and on SALT II, movement was needed.

The Prime Minister asked whether the Russians really wanted to disarm. Because we did.

Mr. Kadar said that he was one of the older boys. He had worked for many years with Krushev and Brezhnev and had long known Andropov. The Russians were individuals too. Krushev was impulsive. He had told Krushev that he was like an old Bolshevik - instead of saying good morning, he tended to punch you in the stomach. He was a good man. Brezhnev was different and was very emotional. Andropov was again different. But these world issues did not depend on one individual. There were problems "around" Andropov. He was ill and he was no longer a child. He had had different illnesses in accordance with his age. He was mentally intact and had never stopped working. Now his condition was improving and Hungarians were crossing their fingers for him. He thought realistically and rationally. If someone was looking for an opponent, Andropov could be very tough because he knew how to calculate. But he could be a very good partner and he listened to the other side. For reasons of a physical nature, he was unable to appear publicly. The Soviet leadership was becoming stronger and
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CONFIDENTIAL

CONFIDENTIAL

-15-

younger people were entering it. He knew that the leadership wanted peace and talks.

The Prime Minister commented that she very much hoped that Mr. Kadar was right. It was to be feared that if Andropov was not well, others might be becoming stronger. Mr. Kadar said that was not how the system worked. His personal conviction was that world war was impossible. Those who needed to know that did know it. But the situation was dangerous because of the accumulation of weapons. A solution had to be found. Britain and the Prime Minister personally were influences in favour of a solution. Contact must be maintained. What he had said to her, he said to Moscow. The Prime Minister said that she spoke similarly to President Reagan and Vice-President Bush would be visiting London next weekend. Mr. Kadar said that despite everything he sent his greetings to Mr. Bush. His talks in Budapest had made good sense. The Prime Minister said that she did not believe that there would be war in Europe. But she feared that conflicts elsewhere might get out of control for there were not the same constraints. Mr. Kadar commented that he could speak of the Israelis and Palestinians but would not do so.

He wished the Prime Minister good health and success in her work for a less tense world. The Prime Minister asked whether, if she felt at any time that the situation was dangerous, she might send Mr. Kadar a message through diplomatic channels. Mr. Kadar welcomed this.

In conclusion, it was agreed that the press would be told that the talks had been open, valuable and constructive and that the two sides shared similar aspirations in bilateral relations. Mr. Kadar said that he would leave comment to the press on international issues to the Prime Minister.

The discussion ended at 1410.

3 February, 1984

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