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10 DOWNING STREET

From the Private Secretary

11 April 1984

Visit of the Hungarian Minister of Foreign
Trade

Mr. Veress called on the Prime Minister this afternoon for a discussion which lasted for about 25 minutes. The Hungarian Ambassador and Mr. Corley were present.

Mr. Veress said that he had been very well received in Britain. Indeed his reception had even surpassed his high expectations. The "Hungary Today" event was a real success and he was most grateful to the British Ministers and other authorities involved.

The Prime Minister recalled her own visit to Hungary, and said that she had greatly enjoyed it and that she had particularly profited from her most interesting talk with Mr. Kadar. Mr Veress said that he had seen Mr. Kadar last week and had been authorised to convey to the Prime Minister his best wishes and very sincere regards and respects. Both Mr. Lazar, and particularly, Mr. Kadar had underlined that the Hungarians would stick to the points they had made to the Prime Minister during her visit whatever comments might be received from other sources. Mr. Veress said that both the Hungarian leaders and the people had responded to the Prime Minister's natural frankness.

The Prime Minister stated that she remained worried about the uncertainty in the Soviet Union. Mr. Veress interjected that everyone was worried about this. The death of Andropov had been a loss for Hungary. We should all have to wait and see.

In response to a question from the Prime Minister, Mr. Veress confirmed that Mr. Kadar was in good health but Mr. Lazar, who had had two operations before her visit to Hungary, was not in the best condition.

/The Prime Minister

The Prime Minister then referred to Mr. Marjai's letter to her about economic relations with Britain and the European Community. She observed that Mr. Marjai had described Hungary's position as minimalist while others might have used the word maximalist. We would consider the letter in detail. Some of the requests in it would be difficult if not impossible to meet. The removal of quotas was particularly difficult in a time of recession.

The conversation then turned to the Hungarian economy. Mr. Veress said that Hungary had come through what he hoped was its most difficult period. The balance of trade had improved, living standards had been maintained and the equilibrium of prices and salaries sustained. On the other hand, the growth rate was still around 1 per cent while 2 per cent had been expected. And agriculture had been badly hit by a very severe drought. Negotiations continued with the IMF but they were hard negotiators. If these negotiations succeeded, Hungary's financing problem would be solved this year. He hoped for British help in this respect.

He wished to invite the Minister for Trade to visit Hungary and to extend a permanent invitation to Mr. Rees who was a good friend of his country.

Following further general discussion of the economic situation in Hungary and Britain, Mr. Veress said that he had watched the Prime Minister's Panorama interview with interest and would be taking a tape of it to Hungary to show to Mr. Marjai.

I am copying this letter to Roger Bone (Foreign and Commonwealth Office), Jonathan Rees (Department of Trade and Industry - Mr Channon's office) and John Gieve (Chief Secretary's Office).

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Department of Trade and Industry.