



Note of a meeting with Mr József Marjai, Hungarian Deputy Prime Minister, held in the Parliament Building, Budapest, on Friday 7 September 1984

Present: Lord Cockfield
(Chancellor of the
Duchy of Lancaster)

Mr Marjai
Mr Banlaki
(Interpreter)

Mr P Unwin
(Her Majesty's Ambassador,
Budapest)

Mr A K Galloway
(Private Secretary to
Lord Cockfield)

After the opening courtesies Mr Marjai said that the Chancellor of the Duchy of Lancaster's visit was of great importance. Beyond the discussion of specific topics the visit was an important demonstration of will on both sides to further develop the relations between the UK and Hungary. He would like to make a few remarks on the development of relations. He very much welcomed what had taken place especially in the past two or three years. This had made up for a number of earlier historic omissions. Frankly he felt that in the earlier period the two countries had not played the role in each other's affairs which would have been justified. The past, however, was for historians. The important thing now was to change the situation.

Mr Marjai went on to say that some extremely important steps had been taken towards this end. He could justifiably say that there was now in Hungary a greater interest in the UK than before over a wide range of aspects. This was true for the general public as well of those who were actively involved in bi-lateral relationships, both in the economic field and in other broader areas. Mr Marjai said that he felt that in the UK greater interest was being paid to Hungary than before. Mrs Thatcher had played an outstanding role in this respect. He now felt that there was in the UK a greater degree of understanding of the Hungarian situation and the problems and headaches being encountered in his country's development. He was grateful for this. He would be glad if Lord Cockfield could convey his thanks and best wishes, and those of Messrs Kadar and Lazar to the Prime Minister and the Cabinet.

Mr Marjai said that he would like to say that Mr Lazar was sorry to have been unable to meet Lord Cockfield. Minor health problems had forced him to take sick leave. As a precautionary measure his doctors had withdrawn him from everyday work. Mr Lazar would then take annual leave, and would be back at work at the end of September. Mr Marjai was in telephone contact with Mr Lazar, and had visited him after his (Mr Marjai's) return from China.



Mr Lazar had asked Mr Marjai to convey his best wishes to Lord Cockfield.

Mr Marjai said that economic relations between the UK and Hungary remained good even though conditions were relatively unfavourable. If both sides continued to support this process then the efforts would bear fruit in coming years.

Mr Marjai expressed his special thanks to Her Majesty's Government for their consistent and continuous support during the negotiations with the European Community. The Hungarians greatly appreciated this, and regretted that certain characteristics which were natural in the UK were not universal in the Community. Hungary had received encouragement from other EC countries but in terms of behaviour and actual conduct the UK stood out.

Mr Marjai said that it was not only in the field of economic policy that Hungary and the UK had much in common. The two countries were also close in terms of clear, unambiguous and consistent views on international politics. There were many issues on which the UK and Hungary did not agree, but the fact that they could conduct a conversation on these topics in a decent manner enhanced the ability of both countries to go forward towards a solution to these questions.

Lord Cockfield said that he was very glad to come to Hungary to meet Mr Marjai and his colleagues. He would indeed convey to the Prime Minister the good wishes which had been expressed. He wished Prime Minister Lazar a complete and rapid recovery. The UK greatly valued its contacts with the Hungarian people, and wished further to develop them in the economic, social and cultural fields. It was a matter of some satisfaction that trade on both sides had begun to increase considerably.

Lord Cockfield said that the British market was a difficult one for a number of reasons, but it was one of the most open markets in the world for imports. It was a difficult job to persuade people in the UK that there was nothing wrong with imports. The answer to those who demanded the imposition of import controls was that trade is a two-way business, and that a country cannot expect to export unless it allows imports. Success in the UK market depended on quality, price and skill in selling.

On international relations Lord Cockfield said that he appreciated the considerable differences which existed. But he believed that the more people could talk to each other the greater the chance of increased understanding and the ability to live together. Even where two parties did not agree they ought to be able to talk to people.

Lord Cockfield said that a great deal had been done to improve the working of the UK economy. It was much more efficient than it used to be. Inflation had been greatly reduced and productivity had increased. Mr Marjai said that the Hungarians

followed this very closely. He agreed that the policies followed had been successful. Lord Cockfield said that there had also been an improvement in the efficiency of the Hungarian economy. He wondered how Mr Marjai saw the future. Had the economy recovered from recession?

Mr Marjai said that Hungary was now over the worst generally speaking. The stage of day-to-day difficulties was now past. By and large the difficulties had been met by measures which had not caused any great suffering, and the damage done had been slight in comparison with some countries. It had not been a pleasure trip, but the quality of life and the quality of the country had been maintained. A transformation had been started which would strengthen Hungary's position in the coming years. The economy had been able to counterbalance trials caused by external factors, but the sources of future development within the economy were becoming stronger. There would be difficulties for 5-10 years, and perhaps longer. It was important not to relax. Only then would it be possible to produce faster growth - growth rather than development because development was taking place already. Hungary was counting on slightly faster growth, but it would be necessary to impose very high demands. The point of departure was that there was likely to be no fundamental improvement in the world situation which could be a source of improvements might help, but they could never be the driving force.

Mr Marjai said that, as was apparent, the rate of growth in the developed industrial countries was not steady or regular. There were great differences across the board, with some parts stagnating, others in recession. There were no prospects for a boom which would provide a driving force for an economy such as that of Hungary. This compelled the Hungarians to pursue a strict economic policy.

Lord Cockfield said that the days when growth would solve all one's problems were gone; but prospects were now better than they had been for some time. The major problem had been the failure of growth in the 3rd World coupled with the international debt crisis. Mexico, Brazil and the Argentine had once been developing rapidly, but were now in serious difficulties, despite this the view in the UK was that the outlook for the world was better than it had been two or three years ago.

Mr Marjai said that he hoped Lord Cockfield would remind Mrs Thatcher that he had given her a list of areas where an Anglo-Hungarian relationship could be developed. No sacrifices were involved for the UK, and he hoped that she would review these areas and push them.

Lord Cockfield said that Mrs Thatcher had replied to Mr Marjai's letter. Many matters remained under consideration. But there were some areas in which the UK's room for manoeuvre was very limited.



Mr Marjai commented that the UK's possibilities were greater than those of Hungary, and that he would gladly exchange Britain's problems for Hungary's.

Lord Cockfield undertook to mention the matter to the Prime Minister. After further courtesies the meeting closed.

A K GALLOWAY

September 1984

HGRAAE