

CPA  
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FROM: CHIEF SECRETARY  
DATE: 15 April 1985

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Prime Minister  
CDP 16/2

PRIME MINISTER

VISIT TO HUNGARY: 9 - 11 APRIL

My trip to Hungary went very smoothly. I renewed acquaintances with Marjai (Deputy Prime Minister), Szuros (Party Secretary), Veress (Foreign Trade), Timar (National Bank) and Banyacz (Information). I met for the first time Hetenyai (Finance Minister).

2 My office is circulating a detailed record of these discussions. Three points emerged that I think are worth drawing to your and to Geoffrey Howe's attention.

3 First, Szuros had a definite message about Gorbachev's recent statements in Moscow. He emphasised that the tone of these statements was important and that we should not therefore respond too hastily to particular proposals. He indicated that he thought a genuine change was underway and that there was more to follow. He implied in particular that Gorbachev saw a link between the poor performance of the Russian economy and foreign affairs, particularly arms control. The Ambassador in Budapest has telegraphed full details.

4 Second, the failure of Hungary's recent approach to the EC still rankles. Marjai in particular spoke at length about lack of political will in the EC which he contrasted with the "reasonable" Hungarian position.

5 The Hungarians' belief that they had a chance of securing economic concessions for no more than the political step of approaching the EC is unfortunate. The political gain of reaching an agreement with the Hungarians still

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seems to me a worthwhile goal. But there will have to be serious negotiations, and these are unlikely to get off the ground before Hungarian expectations are brought into line with reality. To avoid a repeat performance on this subject when Kadar makes his visit to the UK this Autumn, I think the message needs to be got across in any official level contacts that it is up to the Hungarians to come forward with specific but more realistic proposals.

6 Finally, the Hungarians' efforts to liberalise their economy will continue. This was the firm message of all those I met in the aftermath of the recent Party Congress. They will retain their pragmatic approach to economic reform, with small steps here and there. No dramatic developments are in prospect. But the process of reform is established and it is going to continue steadily in the foreseeable future. I think this is an encouraging and welcome message.

7 My impression of Hungary as a practical and independent minded people has been confirmed. This is a small country but a distinctive one. There are no dramatic gestures in store but there is the prospect of slow but steady reform. I met everywhere great friendliness towards Britain. Marjai and others asked me to convey their personal regards to you. Your visit is still remembered there with warmth.

8 I received invaluable assistance and great hospitality from the Ambassador and his staff in Budapest. I would like to record my appreciation for the high standard of service they gave me.

9 I am copying this minute to Geoffrey Howe, and Paul Channon.



PETER REES

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