



DEPARTMENT OF ENERGY (2)
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PARLIAMENTARY UNDER
SECRETARY OF STATE

Timothy Flesher Esq
Private Secretary
10 Downing Street
LONDON SW1

Prime Minister

CDP

25 October 1985

29/10

mf

Dear Tim

I would be grateful if you could pass on the enclosed report from Mr Hunt to the Prime Minister, concerning Mr Hunt's recent visit to Hungary. This may be useful background for Mr Kadar's visit to the UK on 30/31 October.

I am copying this to the Foreign Secretary's office for information.

Yours sincerely

Judith Harris

MRS J HARRIS
Assistant Private Secretary



cc PK
B/UP

PRIME MINISTER

VISIT TO HUNGARY

I have just spent a week in Hungary (1 to 7 October) with a trade mission of businessmen mainly from British mining equipment companies (list attached). We were very well received by the Industry Minister, Dr Kapolyi and his Deputy, Mr Czipper the Energy Minister, and I signed on behalf of your Government a Memorandum of Understanding in the energy sector. The businessmen all reported successful negotiations and I have arranged a follow up meeting with the team and will monitor progress in the meantime.

Mining equipment exports to Hungary totalled last year £2 million but there is considerable scope for improvement with West Germany and the USSR dominating the market. The main aim of my visit was to identify potential opportunities for UK exports in the energy sector generally, but with a strong bias towards coal, and to encourage the Hungarian Government to recognise the superiority of UK technology.

The Hungarians did press strongly for the setting up of joint ventures and co-operation agreements between UK and Hungarian firms to manufacture in Hungary and to sell both in Hungary and in third markets. Dr Kapolyi had in mind a joint development programme in ferrous metals, chemicals and mining equipment but could not supply any detailed proposals. He did however agree to table a paper with specific proposals but this has not yet been received.

The deterioration in the Hungarian economy in 1985 is, however, a cause for concern. Finance will be severely constrained although there are World Bank funds available in some sectors. Those who accompanied me were very positive about future prospects in Hungary, although they were worried about Hungary's hard currency problems.



Mr Kadar may therefore be prompted by his Industry Minister to raise the question of UK investment in Hungary. I believe we should show considerable interest but continue to press for detailed proposals to see whether meeting their needs is as much in our interests as theirs. I have asked Paul Channon to consider whether there are any areas apart from mining machinery where we should be taking more of the initiative in following up these suggestions.

DAVID HUNT

29/12 October 1985

UK BUSINESS TEAM

Mr C T Massey, Head of Mining	National Coal Board
Mr H L Rhodes, Director General	Association of British Mining Equipment Companies
Mr J C Clare, Immediate Past Chairman	Coal Preparation Plant Association
Mr W Howcroft, Managing Director	Fletcher Sutcliffe Wild
Mr A MacLauchlan, Managing Director	Dowty Mining Equipment Ltd
Mr A D Johnson, Managing Director	Dosco Overseas Engineering Ltd
Mr M B Herbacsek, Director of Engineering	Foster Wheeler Power Products Ltd
Mr K N Underhill, Divisional Export Director	Anderson Strathclyde Plc
Mr A Davies, Managing Director	EIMCO (Great Britain) Ltd

