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RECORD OF A MEETING BETWEEN THE PRIME MINISTER AND THE GENERAL
SECRETARY OF THE CENTRAL COMMITTEE OF THE HUNGARIAN SOCIALIST
WORKERS' PARTY ON THURSDAY 31 OCTOBER 1985

PRESENT

The Prime Minister
Mr. C. D. Powell

His Excellency Mr. Janos Kadar
Mr. Kovacs

The Prime Minister bid Mr. Kadar a warm welcome as an honoured guest to Britain. She had greatly enjoyed her own visit to Hungary. She felt she had established a real rapport with the Hungarian people. Mr. Kadar said that he came to Britain with great pleasure. He saw his visit as continuing the very useful dialogue which he and the Prime Minister had established during her visit to Hungary. The Prime Minister had become a very popular figure in Hungary.

East/West Relations

The Prime Minister said that both Britain and Hungary understood the limits within which they had to operate. This was the basis on which she and Mr. Kadar could talk freely. One of the most important developments since their last conversation had been the establishment of strong and clear leadership in the Soviet Union with the appointment of Mr. Gorbachev. She had been able to talk at length to him before his appointment and she thought they both understood each other's viewpoints. She regarded Mr. Gorbachev as quite different from any previous Soviet leader. She thought he had a realistic appreciation of what the Soviet system could do and where it was falling short. He faced some historic decisions. She knew that Mr. Kadar had recently met Mr Gorbachev. She would like to hear his assessment of him and what his appointment meant for Hungary.

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Mr. Kadar recalled that the decision to invite the Prime Minister to visit Hungary had not been an easy one. The temperature in Europe by the end of 1983 was pretty frigid. But he was convinced it had been the right decision. They had got through a great deal of work together, in a good atmosphere. Their talks had been frank, open and relaxed. Britain and Hungary belonged to different Alliances. But he had found that he and the Prime Minister agreed on two fundamental points: a desire to develop bilateral relations between Britain and Hungary; and a desire to live in a more peaceful world. With these as a basis one could search for other points of agreement.

Mr Kadar continued that he noted that the Prime Minister found Mr. Gorbachev a different type of Soviet leader. In fact, all recent Soviet leaders had been very different types, so in a sense the fact that Mr. Gorbachev was different was nothing new. What he considered good about Mr. Gorbachev was that he was a young, energetic and above all a realistic man. But he was a Soviet man. At the same time, he dared to pinpoint and identify openly the weaknesses and shortcomings of the Soviet system. He had first got to know Mr. Gorbachev by accident many years ago when he had been taking a holiday in the Soviet Union and Gorbachev had been the local Party Leader. He, Kadar, had been the bigshot and Gorbachev a mere official. He had found him then cultured, sensitive and attentive. Now he had been made General Secretary of the CPSU but this had not changed the way he treated old acquaintances. The reason why he was particularly important to the West was that he and his whole nation wanted peace. His aim at Geneva would be to have talks of substance.

The Prime Minister said that both Mr. Gorbachev and President Reagan needed a success from their meeting. She knew that President Reagan recognised the importance of this. He was sensitive to Mr. Gorbachev needs. She thought that success could be achieved. Mr. Kadar said that he was certain that Mr. Gorbachev's approach would be realistic and responsible. He was less convinced about the Americans.

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There were groups behind the President who did not seem to want improved East/West relations. He had in mind not so much people in the Administration - though there were differing views there - as outside it, for instance the military-industrial complex.

The Prime Minister said that President Reagan wanted a substantial reduction in nuclear weapons. Mr. Kadar replied that if the Prime Minister was convinced of that it was a good sign because he was sure that Mr. Gorbachev also wanted a major reduction in such weapons. The Prime Minister said that a desire to reduce offensive nuclear weapons was compatible with a move towards greater dependence on strategic defence. President Reagan wanted to remove the fear of nuclear attack. There was no doubt that the United States would continue with its strategic defence research programme. But it would keep strictly within the bounds of the ABM Treaty. Mr. Kadar said that this would be the crucial question at the meeting between the President and Mr. Gorbachev. The Prime Minister said she was convinced of President Reagan's sincerity. In an uncertain world, treaties offered a degree of certainty and it was vital to keep them. Of course, the Soviet Union was also pursuing research into strategic defence even if along slightly different lines. So the problem at Geneva would be how to achieve a reduction in offensive nuclear weapons against a background of continuing SDI research by both sides. There must be confidence if such an agreement was to be reached. If either side feared that the balance would be upset to its disadvantage, the negotiations would fail. The critical questions were, therefore, preservation of the ABM Treaty and of balance.

Mr. Kadar said that lack of confidence was the major problem in US/Soviet relations. For the Soviet leaders, the SDI represented an attempt by the United States to create a system which would protect them and thus upset the balance of deterrence. The Prime Minister had referred to President Reagan's dream of finding protection against nuclear weapons. The best way to achieve this was by deep reductions in

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offensive nuclear weapons by both sides. This was the Soviet leadership's approach. The Soviet Union had put forward what seemed to him radical proposals to achieve this. But if the Americans pressed ahead with the SDI he was certain that the Soviet Union would do whatever was necessary to achieve parity in this field, whatever the cost in terms of economic resources. Defence was not a question of economics for the Soviet Union. The Prime Minister said that it would be wrong for one side to seek predominance and use it to attack or threaten the other. But we knew that the United States would never attack the Soviet Union or threaten its borders. There had been plenty of opportunities after the second world war for the United States to exploit its nuclear dominance. It had never done so. She hoped that President Reagan would be able to convince Mr. Gorbachev of the United States' peaceful intentions. She knew that he would be ready to respond to the Soviet proposals for steep reductions in nuclear weapons. The numbers of such weapons anyway far exceeded what was necessary for deterrence.

Mr. Kadar agreed. He believed there was a chance to reach agreement at Geneva which would guarantee the security of both sides at a lower level of armaments. One obstacle to progress hitherto had been verification. The Soviet Union had recently changed its position on this and said that if national means of verification were insufficient then other means could be employed. He regarded this as an extremely significant step. The Prime Minister asked Mr. Kadar whether he was optimistic or pessimistic about the chances of progress at Geneva. Mr. Kadar, after some thought, said that he was optimistic by nature. But if there were not substantive progress at Geneva, we would all be in deep trouble.

At this point Foreign Ministers and Ambassadors joined the meeting.

The Prime Minister asked what Mr. Kadar thought were the main constraints on Mr. Gorbachev as he approached the meeting with President Reagan. Realistically there was no way

to verify what either side was doing in research. Mr. Kadar said that he did not believe that Mr. Gorbachev would have any difficulties over the size or extent of reductions in nuclear weapons. One should start from the basis of the totals established in the SAL II talks. The one constraining factor was the need for equality between the Soviet Union and the United States. This was vital. Limiting research into strategic defence was admittedly difficult. The problem needed to be studied and he thought that a solution could be found. But on the broader question of strategic defence he felt that the Soviet Union and the United States were very far apart. The Prime Minister said that she was certain President Reagan understood that there must be a balance between the United States and the Soviet Union. Each must respect the other's right to security. Mr. Kadar said that the Soviet Union and the United States could only find security together. Neither of them could achieve it unilaterally. He thought the influence of public opinion was important. Whether one spoke to people in London or in Budapest, they wanted peace and security.

Hungary: Internal and Economy

Mr. Kadar said that the recent Hungarian Party Conference had confirmed the main lines of Party policy. He would like to pick out two factors for special mention. The first was that the efforts being made to democratise the system. This was evident in several ways, for instance through changes to the electoral system, making a choice of candidates in local constituencies compulsory. Hungary's economic management would continue to rely on indirect methods, not on instruction from the centre. Enterprises had freedom of manoeuvre including the right to export. The Government influenced them indirectly through credit policy and taxation. The banking sector was being developed.

Hungary's specific economic problems had not improved much. But at least the country had retained the ability to pay its debts. They had successfully weathered the crisis of

1982 and had benefited from an understanding approach by the international monetary world. Hungary's international debt had been reduced by one-seventh which was some achievement. He felt that the results would have been better had it not been for obstacles in the way of Hungary's exports. His aim now was to inject a little dynamism into the economy, while continuing to take account of the need for equilibrium.

Mr. Kadar continued that he was pleased with the development of relations between the United Kingdom and Hungary. The volume of trade was modest but the trend was upwards. Indeed, there had been an increase of 45 per cent in the last two years. He would like that trend to continue. He would be meeting the CBI the next day to encourage them to do more trade with Hungary. The Government were thinking in terms of joint ventures as a means to stimulate trade and to provide business with a secure framework. He wished to thank the Prime Minister for what had been done. Economic co-operation need not be affected by ideology: it developed according to the interests of both sides. Commercial ties provided a stable under-pinning for wider, peaceful relations. Hungary would do everything possible to develop its bilateral relations with the United Kingdom in every field. He would like to mention in particular the acceleration of technological co-operation. Hungary was interested to know more about the EUREKA project which might offer scope for such co-operation.

The Prime Minister said she was glad to hear that Mr. Kadar was satisfied with progress in bilateral relations. Increased trade, joint ventures, scientific and cultural ties were all part of the work of building peace. She recalled that the United Kingdom had supported Hungary in its negotiations with the European Community though she continued to believe that Mr. Marjai's demands were excessive. She sometimes thought he was the only politician in the world more inflexible than she was. Mr. Kadar chortled and thought Mr. Marjai would regard this as a compliment.

Mr. Kadar said that he believed in an open-door policy of increasing personal contacts and tourism. Hungary had advantages such as full employment although people did not work as hard as in the United Kingdom. Hard work was necessary to raise living standards. And hard work in turn required incentives. The Prime Minister commented that it sounded like one of her own speeches. People would always work harder for their own families than for the State. No policy could work if it went against the grain of human nature. Mr. Kadar said that people were ready and willing to make sacrifices in extraordinary circumstances but not in normal times. It was necessary to exhort, educate and provide incentives. He recalled a walk in the woods many years ago with Mr. Krushev who had suddenly begun to call down curses upon Marx. When Mr. Kadar had asked him why, Krushev had replied: "it was easy enough for old Marx, he just had to dream up the theory of socialism. We have to try and make it work". Mr. Kadar continued that he did not believe in isolating Hungary from outside influences. Travel allowed people to make comparisons. He had had to argue with his colleagues about opening up to the outside world. He had taken the line that Hungary had such a bad reputation that what people saw could only be better than what they had heard. He believed his policy had paid off and that Hungary's reputation had greatly improved. Opening borders actually reduced the incentive for people to leave the country. They would say: why the hell defect this year when I can defect next year? The Prime Minister said that open borders were a great sign of confidence. She could see why Mr. Kadar was an optimist. Mr. Kadar said that his optimism had been trained and hardened in difficult circumstances. The Prime Minister commented that Mr. Kadar had done wonders with Hungary. Mr. Kadar said that he would not put it that way. But things were slowly falling into place. One could not live on the basis of fantasies. What did not work had to be changed: what worked should be reinforced. But he was convinced of the growing interdependence of all countries and thought this offered hope for the future. The Prime Minister said that if the talks between President Reagan and Mr. Gorbachev went

well, we would all benefit. If they went wrong, it would be even more important for countries like the United Kingdom and Hungary to keep in close contact. Mr. Kadar said that he would keep his fingers crossed. He did not expect all the problems to be resolved in one sitting. But provided the talks started with a sense of responsibility he believed that solutions could be found.

The meeting ended at 1830.

31 October 1985

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From the Private Secretary

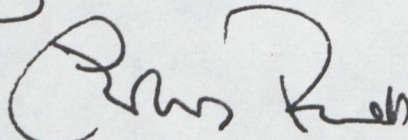
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Dear Len,

PRIME MINISTER'S MEETING WITH MR. KADAR

I enclose a record of the Prime Minister's conversation with Mr. Janos Kadar earlier this evening. I should be grateful if it could be handled with particular discretion.

I am copying this letter and enclosure to Rachel Lomax (H.M. Treasury), Richard Mottram (Ministry of Defence), John Mogg (Department of Trade and Industry) and to Michael Stark (Cabinet Office).

Yours sincerely

CHARLES POWELL

Len Appleyard, Esq.,
Foreign and Commonwealth Office.

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