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812

PREM 19/1799



PART 2 ends:-

BI TO DR R. BANYAS 2 29.11.45

PART 3 begins:-

BUDAPEST TEL 123 10.3.47





cc Mr Powell  
Mr Meyer (FCO)

10 DOWNING STREET

CDP  
27K

*From the Press Secretary*

28 November 1985

*Dr Rezso Banyasz*

It was very good to see you in London during Mr Kadar's visit and I very much enjoyed lunch together.

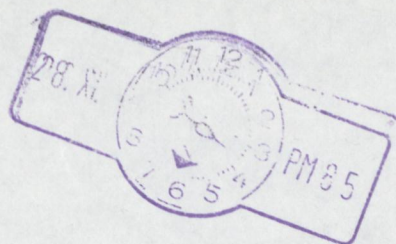
In the course of our talk I said that, much as I would like to visit Hungary at your invitation, I find it very difficult to get away from No 10 while doing my Chief Press Secretary job. This is a full time executive post and the person occupying it is always on duty.

Perhaps when I give up the post and (?) retire, it might be sensible to review the idea of a visit. Meanwhile, I hope you understand that it is virtually impossible to get away.

BERNARD INGHAM

Dr Rezso Banyasz  
State Secretary  
Hungary







SUBJECT  
CC OPS  
Master.

file 16



10 DOWNING STREET

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T209/85

THE PRIME MINISTER

7 November 1985

Dear General Secretary,

I was delighted to receive your kind gift of a tea service. It is a very fine example of Hungarian craftsmanship and will serve to remind me of your historic visit to this country.

I greatly enjoyed our talks and I was encouraged to find that we are both optimistic about the prospect for a positive outcome to the forthcoming meeting between President Reagan and General Secretary Gorbachev. I should like to remain in close touch with you as events unfold.

It was a genuine pleasure to see you in this country and I send you my best wishes.

Yours sincerely  
Margaret Thatcher

His Excellency Mr. Janos Kadar

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10 DOWNING STREET

*From the Private Secretary*

4 November 1985

I enclose a copy of a message to the Prime Minister from Mr Kadar, despatched upon his departure from the United Kingdom.

(Charles Powell)

Colin Budd, Esq.,  
Foreign and Commonwealth Office.

✓



Subject cc master  
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CDP

Prime Minister

CDP

Y/xi

PRIME MINISTER'S  
PERSONAL MESSAGE  
SERIAL No. T.205/85

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D CABINET OFFICE TELEX 27582  
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2/12

FROM THE LONDON AIR TRAFFIC CONTROL CENTRE  
MESSAGE RECEIVED FROM MALEV 7342 EN-ROUTE EDINBURGH TO  
BUDAPEST AT 0211615 GMT - MESSAGE READS - QUOTE  
THE RT.HON.MARGARET THATCHER MP.

PRIME MINISTER - LONDON.

LEAVING THE TERRITORY OF THE UNITED KINGDOM OF  
GREAT BRITAIN AND NORTHERN IRELAND - I AVAIL MYSELF OF THE  
OPPORTUNITY TO RENEW TO YOU MY GRATITUDE OF THE CORDIAL  
RECEPTION AND I THANK YOU FOR THE OPEN, FRANK AND USEFUL  
EXCHANGE OF VIEWS.

I AM CONVINCED THAT OUR TALKS WILL PROMOTE THE FURTHER  
DEVELOPEMENT OF THE CO-OPERATION BETWEEN OUR TWO COUNTRIES  
AND THEY WILL CONTRIBUTE TO THE STRENGTHENING OF THE  
ATMOSPHERE OF THE TERMS IN EUROPE.

I WISH YOU GOOD HEALTH AND MUCH SUCCESS IN YOUR RESPONSIBLE  
DUTY.

JANOS KADAR  
UNQUOTE

mf

NNNN

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CONFIDENTIAL

Wle LPO

Subject CC master



CCPC ✓

10 DOWNING STREET

From the Private Secretary

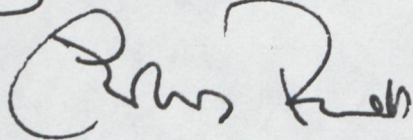
31 October 1985

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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CONFIDENTIAL

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

CONFIDENTIAL



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



DRAFT SEATING PLAN  
DINNER ON 31 OCT.

PRIME MINISTER

* Interpreters	* HE MR JÁNOS KÁDÁR	HE Mr. Péter Várkonyi	
	Rt. Hon. Sir Geoffrey Howe	Lady Howe	
	HE Dr. Rezső Bányász	Mr. László Kovács	
Mrs. Brittan			Mrs. Biffen
Dr. László Karvalics	Rt. Hon. John Biffen	Rt. Hon. Leon Brittan	Dr. Tibor Melega
Rt. Hon. Kenneth Clarke	Madame Domokos	HE The Hungarian Ambassador	Mrs. Clarke
Lady Wyatt	Mr. Malcolm Rifkind	Mrs. Rifkind	Mr. Donald Anderson
Lt. Genl Ferenc Sebestyén	HE Dr. József Hajdú	HE Dr. Ernő Horváth	Mrs. Ludovic Kennedy
Mr. Robert Maxwell	Mrs. Rees	Mrs. Hunt	Rt. Hon. Peter Rees
Mrs. Orr-Ewing	Mr. David Hunt	Sir Woodrow Wyatt	Lady Llewellyn
Sir Harry Llewellyn	Mrs. Anderson	Mrs. Kaser	Sir John Page
Lady Page	Sir Christopher Hogg	Mr. A.J. Sheppard	Mrs. Dromgoole
Mr. P.W. Unwin	Dr. Stoppard	Mrs. Unwin	Mr. Hamish Orr-Ewing
Mrs. Sheppard	Mr. Michael Kaser	Mr. Tom Stoppard	Mrs. Cross
Mr. R.J. French	Mrs. Maxwell	Mrs. Hann	Mr. C.J. Chetwood
Mrs. Chetwood	Mr. Sandy Gall	Mr. Nigel Forman	Mrs. Gall
Mr. Christopher Hann	Mrs. Powell	Mrs. Cooper	Mr. Nicholas Dromgoole
Mr. Beverley Cross	Mr. William Cooper	Mr. Charles Powell	Mr. French

ENTRANCE



\* Interpreters

Duty 22/10/85 MWR

LIST OF GUESTS ATTENDING THE DINNER TO BE GIVEN BY THE PRIME MINISTER IN HONOUR OF HIS EXCELLENCY MR. JÁNOS KÁDÁR, SECRETARY-GENERAL OF THE HUNGARIAN SOCIALIST WORKERS' PARTY ON THURSDAY, 31 OCTOBER 1985 AT 7.45 PM FOR 8.00 PM LOUNGE SUIT

The Prime Minister

**Hungarian Suite**

- \* His Excellency Mr. János Kádár Secretary-General of the Hungarian Socialist Workers' Party
- His Excellency Dr. Péter Várkonyi Minister of Foreign Affairs
- His Excellency Dr. Rezső Bányász State Secretary, Chairman of the Information Office of the Council of Ministers
- Mr. László Kovács Deputy Head of Department of the Central Committee of the Hungarian Socialist Workers' Party
- \* Dr. László Karvalics Deputy Head of Department of the Central Committee of the Hungarian Socialist Workers' Party
- Dr. Tibor Melega Deputy Minister for Foreign Trade
- His Excellency the Ambassador of the Hungarian People's Republic and Madame Domokos
- Lieutenant General Ferenc Sebestyén Commander in Chief of the Government Security Service
- His Excellency Dr. Ernő Horváth Ambassador, Head of the 5th Political Department, Ministry of Foreign Affairs
- His Excellency Dr. József Hajdú Ambassador, Head of Protocol Department, Ministry of Foreign Affairs

**HM Government**

- Rt. Hon. Sir Geoffrey Howe, MP will host lunch. Have talks  
and Lady Howe with Mr. Kadar. Visited Hungary  
in 1983
- Rt. Hon. Leon Brittan, MP  
and Mrs. Brittan
- Rt. Hon. John Biffen, MP  
and Mrs. Biffen
- Rt. Hon. Kenneth Clarke, MP Visited Hungary in November  
and Mrs. Clarke 1984 as Minister for Health
- Mr. Malcolm Rifkind, MP Visited Hungary in June 1982  
and Mrs. Rifkind
- Mr. David Hunt, MP Mr. Hunt visited Hungary  
and Mrs. Hunt in September



### Labour Party

Mr. Donald Anderson, MP  
and Mrs. Anderson

Speaks Hungarian. Foreign Affairs  
spokesman. Member of Anglo/Hungarian  
Round Table

### Conservative MPs

Rt. Hon Peter Rees, MP  
and Mrs. Rees

Mr. Rees visited Hungary in 1982 as  
Minister for Trade and in 1985 as  
Chief Secretary. Maintains a close  
interest in Hungary.

Sir John Page, MP  
and Lady Page

Visited Hungary in 1984 as Deputy-  
Chairman of the IPU

Mr. Nigel Forman, MP

Member of Anglo-Hungarian Round Table

### Industry

Mr. C.J. Chetwood  
and Mrs. Chetwood

Chairman, George Wimpey plc. The  
Prime Minister visited a Wimpey housing  
project in Hungary in February 1984

Mr. R.J. French  
and Mrs. French

Head of Eastern European Department,  
ICI. ICI do substantial business  
with Hungary, mainly in agro-chemicals.  
Mr. Kadar may visit ICI

Mr. A.J. Sheppard  
and Mrs. Sheppard

Chairman and Chief Executive, Wellcome  
Foundation. Wellcome Foundation have  
growing business in Hungary

Sir Christopher Hogg

Chairman, Courtaulds. Business with  
Hungary involving yarns, chemicals,  
plastics and packaging film

Mr. Hamish Orr-Ewing  
and Mrs. Orr-Ewing

Chairman, Rank Xerox. Rank Xerox  
have been trading with Hungary  
since 1965.

### Culture

Mr. Nicholas Dromgoole  
and Mrs. Dromgoole

Miss Lesley Collier  
Principal Dancer, Royal Ballet. Visited  
Hungary with Royal Ballet in April 1985.

Mr. Tom Stoppard  
and Dr. Miriam Stoppard

playwright and novelist

Mr. William Cooper  
and Mrs. Cooper

Novelist. Strong Hungarian connections

Mrs. Ludovic Kennedy

Moira Shearer. Lecturer. Former  
ballerina. Danced in Hungarian directed  
films

Mr. Beverley Cross  
and Mrs. Cross

Maggie Smith actress. Filmed in Hungary  
1983-4



**Academics**

Mr. Christopher Hann  
and Mrs. Hann

Lecturer, Corpus Christi College,  
Cambridge. Speaks Hungarian. Has  
just written a book on Hungary

Mr. Michael Kaser  
and Mrs. Kaser

Expert on Hungary and frequent visitor

**Media**

Mr. Robert Maxwell  
and Mrs. Maxwell

Speaks Hungarian. Met Mr. Kadar in  
1984 and has published his biography

Mr. Sandy Gall  
and Mrs. Gall

ITV Newsreader. Previously Reuters  
Correspondent in Budapest

**General**

Sir Harry Llewellyn  
and Lady Llewellyn

Horseman. Frequent visitor to Hungary

Sir Woodrow Wyatt  
and Lady Wyatt

Lady Wyatt is Hungarian

**Officials**

Mr. P.W. Unwin  
and Mrs. Unwin

HM Ambassador, Budapest

**10 Downing Street**

Mr. Charles Powell  
and Mrs. Powell



SPIAEJ

(FINAL)

PRIME MINISTER'S SPEECH

AT

DINNER IN HONOUR OF

MR. JANOS KADAR

ON

THURSDAY 31 OCTOBER



MR. GENERAL SECRETARY, I WELCOME YOU AND THE MEMBERS OF

YOUR DELEGATION MOST WARMLY TO THIS COUNTRY.

WE ARE DELIGHTED TO HAVE YOU HERE AS OUR

GUESTS.

AS A REPRESENTATIVE OF A COUNTRY WITH A VERY

LONG AND PROUD HISTORY OF ITS OWN, I KNOW YOU

WILL FEEL AND RESPOND TO THE SENSE OF HISTORY

HERE IN 10 DOWNING STREET, WHICH WILL SHORTLY

BE CELEBRATING ITS 250TH ANNIVERSARY AS THE

HOME AND THE OFFICE OF BRITISH PRIME

MINISTERS.

I AM VERY PLEASED THAT YOU HAVE STEPPED IN TO

OUR HISTORY.

INDEED YOUR VISIT IS AN HISTORIC EVENT IN

ITSELF, THE FIRST TIME THAT WE HAVE WELCOMED



TO No. 10 A LEADER FROM AN EASTERN EUROPEAN  
COUNTRY IN HIS CAPACITY AS GENERAL SECRETARY  
OF THE COMMUNIST PARTY.

I MYSELF HAVE THE WARMEST MEMORIES OF MY OWN VISIT TO  
HUNGARY LAST YEAR.

IT WAS A GREAT HONOUR TO BE THE FIRST BRITISH  
PRIME MINISTER TO VISIT YOUR COUNTRY.

I WELL REMEMBER THE TREMENDOUS HOSPITALITY  
AND FRIENDLINESS YOU AND YOUR PEOPLE SHOWED  
ME.

WHEN I TRIED TO BUY SOME PAPRIKA AND SOME  
HONEY IN YOUR MARKET, THEY WERE PRESSED INTO  
MY HAND AS A GIFT.

AND THE PEOPLE WHO WERE SHOPPING THERE GAVE



ME SUCH A WARM AND WHOLEHEARTED WELCOME THAT

I SHALL TREASURE THE MEMORY ALWAYS.

I HOPE YOU WILL HAVE A SIMILAR EXPERIENCE AT

SAINSBURY'S WHEN YOU GO THERE TOMORROW?

WE WERE ALSO PLEASED TO WELCOME HERE TO LONDON IN THE

LAST TWELVE MONTHS YOUR COLLEAGUES MR. SZUROS

(PRON. SEWERESH) AND MR. VARKONYI.

I REMEMBER THAT WHEN MR. SZUROS CAME TO SEE

ME HE QUOTED A CHINESE PROVERB: "IT IS BETTER

TO SEE SOMETHING ONCE THAN HEAR IT A THOUSAND

TIMES".

WE ARE VERY PLEASED THAT YOU ARE SEEING US

FIRST-HAND.



OUR TALKS HERE TODAY, LIKE THOSE IN BUDAPEST LAST YEAR,  
HAVE BROUGHT HOME TO ME THE MANY COMMON  
OBJECTIVES WE SHARE - PEACE, PROSPERITY AND  
SECURITY.

THE ROUTE BY WHICH WE REACH THOSE OBJECTIVES MAY  
DIFFER.

AND OUR PERCEPTIONS OF THAT JUST SOCIETY MAY  
NOT BE THE SAME.

BUT IT IS RIGHT THAT WE SHOULD DISCUSS THE  
ISSUES THAT DIVIDE US.

IT IS A GREAT ENCOURAGEMENT TO ME THAT WE  
HAVE BEEN ABLE TO DO THIS, IF NOT IN THE SAME  
MOTHER TONGUE, AT LEAST IN THE SAME LANGUAGE  
OF COMMON CONCERN FOR THE FUTURE OF OUR TWO



COUNTRIES AND OF A TROUBLED WORLD.

WE IN BRITAIN ARE PROUD OF OUR STANDARDS OF FREEDOM,

JUSTICE AND DEMOCRACY.

THIS IS ONE REASON WHY WE, LIKE YOU, AS  
FELLOW EUROPEANS, ARE FULLY COMMITTED TO THE  
HELSINKI ACCORDS OF 1975.

IT OFFERS A CODE FOR INTERNATIONAL RELATIONS  
AND CIVILISED GOVERNMENT.

IT IS ALSO DESIGNED TO IMPROVE THE LIVES OF  
ORDINARY PEOPLE AND OPEN UP NEW CONTACTS  
BETWEEN THEM.

SO WE VALUE HUNGARY'S CONTRIBUTION, BY BEING  
HOST AT THE PRESENT TIME, TO THE CULTURAL



FORUM IN BUDAPEST.

BRITAIN IS COMMITTED TO SEEKING WAYS TO IMPROVE

RELATIONS ACROSS THE EAST/WEST DIVIDE.

AND BETWEEN THE INDIVIDUAL COUNTRIES OF THE  
TWO ALLIANCES TO WHICH OUR COUNTRIES BELONG.

BOTH OF US ARE AND WILL REMAIN LOYAL TO OUR  
ALLIANCES.

BUT FRIENDSHIP IS NOT EXCLUSIVE.

AND I KNOW THAT WE SHARE A BELIEF THAT  
CONTACTS BETWEEN EUROPEAN COUNTRIES SUCH AS  
OURS CAN HAVE A USEFUL ROLE IN  
THEMSELVES AND IN BUILDING CONFIDENCE BETWEEN  
EAST AND WEST.



WE ARE ALSO FOLLOWING CLOSELY DEVELOPMENTS IN YOUR  
ECONOMY AND RESPECT THE ORIGINALITY AND  
FLEXIBILITY WHICH YOUR GOVERNMENT HAS SHOWN  
IN ADJUSTING TO PROBLEMS, MANY OF WHICH ARE  
COMMON TO ALL OF US.

WE SHALL BE INTERESTED TO SEE TO WHAT EXTENT  
YOUR PIONEERING COURSE IS TREATED AS A MODEL  
BY OTHERS.

MR. GENERAL SECRETARY, YOU WILL FIND THAT THERE IS IN  
BRITAIN A DEEP INTEREST IN YOUR COUNTRY.  
THERE IS ALSO RESPECT FOR HUNGARIAN  
ACHIEVEMENTS.  
THESE FEELINGS ARE BASED ON STRONG HISTORICAL



CONNECTIONS OF WHICH I SPOKE WHEN I WAS IN  
BUDAPEST.

ON SATURDAY YOU WILL BE TRAVELLING TO  
SCOTLAND TO SEE SOMETHING OF BRITAIN OUTSIDE  
LONDON.

A VISIT TO WALES MIGHT HAVE DONE MORE TO  
PLEASE SIR GEOFFREY HOWE, MY FOREIGN  
SECRETARY.

BUT I AM TOLD WALES IS STILL NURSING THE  
WOUNDS OF A THREE NIL DEFEAT BY YOUR  
FOOTBALLERS A FORTNIGHT AGO!

SO SCOTLAND, FOR ONCE, IS A SAFER PLACE.

ONE OF THE MOST VISIBLE AND STRIKING SIGNS OF OUR  
HISTORY OF COOPERATION IS THE BRIDGE OVER THE



DANUBE AT BUDAPEST, BUILT BY A SCOT IN THE  
LAST CENTURY.

BRIDGE-BUILDING IS A METAPHOR MUCH USED IN  
INTERNATIONAL RELATIONS.

OUR JOB IS TO GIVE IT MEANING.

YOUR VISIT TO LONDON AS THE LEADER OF THE  
HUNGARIAN PEOPLE DOES JUST THAT.

I RAISE MY GLASS TO THE HUNGARIAN PEOPLE AND TO YOU  
PERSONALLY AND ASK MY GUESTS TO JOIN ME IN  
DRINKING TO YOUR HEALTH AND PROSPERITY.





Foreign and Commonwealth Office

London SW1A 2AH

31 October 1985

*CV.*

*Dear Charles,*

Visit of Kadar: Speech  
at Dinner by Prime Minister

/ I attach copies of the Hungarian translation of the speech to be made by the Prime Minister at dinner this evening.

*Yours ever*  
*Peter Ricketts*

(P F Ricketts)  
Private Secretary

C D Powell Esq  
PS/No 10







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SPIAEJ

PRIME MINISTER'S SPEECH

AT

DINNER IN HONOUR OF

MR. JANOS KADAR

ON

THURSDAY 31 OCTOBER



MR. GENERAL SECRETARY, I WELCOME YOU AND THE MEMBERS OF

YOUR DELEGATION MOST WARMLY TO THIS COUNTRY.

WE ARE DELIGHTED TO HAVE YOU HERE AS OUR  
GUESTS.

AS A REPRESENTATIVE OF A COUNTRY WITH A VERY  
LONG AND PROUD HISTORY OF ITS OWN, I KNOW YOU  
WILL FEEL AND RESPOND TO THE SENSE OF HISTORY  
HERE IN 10 DOWNING STREET, WHICH WILL SHORTLY  
BE CELEBRATING ITS 250TH ANNIVERSARY AS THE  
HOME AND THE OFFICE OF BRITISH PRIME  
MINISTERS.

I AM VERY PLEASED THAT YOU HAVE STEPPED IN TO  
OUR HISTORY.

INDEED YOUR VISIT IS AN HISTORIC EVENT IN  
ITSELF, THE FIRST TIME THAT WE HAVE WELCOMED



TO NO. 10 A LEADER FROM AN EASTERN EUROPEAN  
COUNTRY IN HIS CAPACITY AS GENERAL SECRETARY  
OF THE COMMUNIST PARTY.

I MYSELF HAVE THE WARMEST MEMORIES OF MY OWN VISIT TO  
HUNGARY LAST YEAR.

IT WAS A GREAT HONOUR TO BE THE FIRST BRITISH  
PRIME MINISTER TO VISIT YOUR COUNTRY.

I WILL REMEMBER THE TREMENDOUS HOSPITALITY  
AND FRIENDLINESS YOU AND YOUR PEOPLE SHOWED  
ME.

WHEN I TRIED TO BUY SOME PAPRIKA <sup>and some honey</sup> IN YOUR  
MARKET, <sup>they were</sup> IT WAS PRESSED INTO MY HAND AS A

GIFT. <sup>And the people who were shopping here</sup>  
<sup>gave me such a warm & wholehearted welcome</sup>  
<sup>that I shall treasure the memory always.</sup>  
I ~~WONDER WHETHER~~ YOU WILL HAVE A SIMILAR  
<sup>hope</sup>



EXPERIENCE AT SAINSBURY'S WHEN YOU GO THERE  
TOMORROW?

WE WERE ALSO PLEASED TO WELCOME HERE TO LONDON IN THE  
LAST TWELVE MONTHS YOUR COLLEAGUES MR. SZUROS  
(PRON. SEWERESH) AND MR. VARKONYI.

I REMEMBER THAT WHEN MR. SZUROS CAME TO SEE  
ME HE QUOTED A CHINESE PROVERB: "IT IS BETTER  
TO SEE SOMETHING ONCE THAN HEAR IT A THOUSAND  
TIMES".

WE ARE VERY PLEASED THAT YOU ARE SEEING US  
FIRST-HAND.

OUR TALKS HERE TODAY, LIKE THOSE IN BUDAPEST LAST YEAR,  
HAVE BROUGHT HOME TO ME THE MANY COMMON



OBJECTIVES WE SHARE - PEACE, PROSPERITY AND  
SECURITY ~~WITHIN AN ORDERED AND JUST SOCIETY.~~

THE ROUTE BY WHICH WE REACH THOSE OBJECTIVES MAY  
DIFFER.

AND OUR PERCEPTIONS OF THAT JUST SOCIETY MAY  
NOT BE THE SAME.

BUT IT IS RIGHT THAT WE SHOULD DISCUSS THE  
ISSUES THAT DIVIDE US.

IT IS A GREAT ENCOURAGEMENT TO ME THAT WE  
HAVE BEEN ABLE TO DO THIS, IF NOT IN THE SAME  
MOTHER TONGUE, AT LEAST IN THE SAME LANGUAGE  
OF COMMON CONCERN FOR THE FUTURE OF OUR TWO  
COUNTRIES AND OF A TROUBLED WORLD.



WE IN BRITAIN ARE PROUD OF OUR STANDARDS OF FREEDOM,

JUSTICE AND DEMOCRACY.

THIS IS ONE REASON WHY WE, LIKE YOU, AS

FELLOW EUROPEANS, ARE FULLY COMMITTED TO THE

*Amended 7 1975*  
HELSINKI PROCESS.

IT OFFERS A CODE FOR INTERNATIONAL RELATIONS

AND CIVILISED GOVERNMENT.

IT IS ALSO DESIGNED TO IMPROVE THE LIVES OF

ORDINARY PEOPLE AND OPEN UP NEW CONTACTS

BETWEEN THEM.

SO WE VALUE HUNGARY'S CONTRIBUTION, BY BEING

HOST AT THE PRESENT TIME, TO THE CULTURAL

FORUM IN BUDAPEST.



BRITAIN IS COMMITTED TO SEEKING WAYS TO IMPROVE

RELATIONS ACROSS THE EAST/WEST DIVIDE.

~~being in mind we are both to improve~~  
 AND (BETWEEN THE INDIVIDUAL COUNTRIES OF THE  
 TWO ALLIANCES TO WHICH OUR COUNTRIES BELONG.

BOTH OF US ARE AND WILL REMAIN LOYAL TO OUR

~~both recognize~~  
 ALLIANCES, AND NEITHER SEEKS TO DETACH THE  
~~OTHER FROM THAT LOYALTY.~~

BUT FRIENDSHIP IS NOT EXCLUSIVE.

AND I KNOW THAT WE SHARE A BELIEF THAT

~~European~~  
 CONTACTS BETWEEN ~~MEDIUM-SIZED~~ COUNTRIES SUCH  
~~in themselves and~~  
 AS OURS CAN HAVE A USEFUL ROLE IN BUILDING  
 CONFIDENCE BETWEEN EAST AND WEST.

WE ARE ALSO FOLLOWING CLOSELY DEVELOPMENTS IN YOUR

ECONOMY AND RESPECT THE ORIGINALITY AND



FLEXIBILITY WHICH YOUR GOVERNMENT HAS SHOWN  
IN ADJUSTING TO PROBLEMS, MANY OF WHICH ARE  
COMMON TO ALL OF US.

WE SHALL BE INTERESTED TO SEE TO WHAT EXTENT  
YOUR PIONEERING COURSE IS TREATED AS A MODEL  
BY OTHERS.

MR. GENERAL SECRETARY, YOU WILL FIND THAT THERE IS IN

BRITAIN A DEEP INTEREST IN YOUR COUNTRY.

THERE IS ALSO RESPECT FOR HUNGARIAN  
ACHIEVEMENTS.

THESE FEELINGS ARE BASED ON STRONG HISTORICAL  
CONNECTIONS OF WHICH I SPOKE WHEN I WAS IN  
BUDAPEST.

ON SATURDAY YOU WILL BE TRAVELLING TO



SCOTLAND TO SEE SOMETHING OF BRITAIN OUTSIDE  
LONDON.

A VISIT TO WALES MIGHT HAVE DONE MORE TO  
PLEASE SIR GEOFFREY HOWE, MY FOREIGN  
SECRETARY.

BUT I AM TOLD WALES IS STILL NURSING THE  
WOUNDS OF A THREE NIL DEFEAT BY YOUR  
FOOTBALLERS A FORTNIGHT AGO!

SO SCOTLAND, FOR ONCE, IS A SAFER PLACE.

ONE OF THE MOST VISIBLE AND STRIKING SIGNS OF OUR  
HISTORY OF COOPERATION IS THE BRIDGE OVER THE  
DANUBE AT BUDAPEST, BUILT BY A SCOT IN THE  
LAST CENTURY.

BRIDGE-BUILDING IS A METAPHOR MUCH USED IN



INTERNATIONAL RELATIONS.

OUR JOB IS TO GIVE IT MEANING.

YOUR VISIT TO LONDON AS THE LEADER OF THE  
HUNGARIAN PEOPLE DOES JUST THAT.

I RAISE MY GLASS TO THE HUNGARIAN PEOPLE AND TO YOU  
PERSONALLY AND ASK MY GUESTS TO JOIN ME IN  
DRINKING TO YOUR HEALTH AND PROSPERITY.



①

CONFIDENTIAL

PRIME MINISTER

MEETING WITH MR. KADAR

Two hours have been set aside for this meeting. This is mainly to satisfy Hungarian amour-propre. As long as it appears in the programme as two hours, it won't matter if the actual meeting is a bit shorter.

It is envisaged that the first 45 minutes will be tete-a-tete with note-takers. Thereafter Foreign Ministers and Ambassadors will join in. The (Hungarian) interpreter will be the one who interpreted for you in Hungary.

I attach the briefs and some cards. There is no specific business to be done. The fact of the visit is the story, more than what is said. But you will want to try to draw him into a general and philosophical discussion of East/West relations in the hope that we can gain some insights from his unrivalled experience and feel. You will want to get his impressions of Gorbachev and of what Gorbachev is likely to try to do in the way of economic reform within the Soviet Union; ask for his assessment of Soviet aims at the forthcoming summit with the United States; find out whom he regards as other men to watch in the Soviet leadership; and let him tell you about Hungary's economic problems.

The briefing folder also has the record of your last meeting with Kadar, as well as of your meetings with Szuross and Varkonyi in case you want to refresh your memory. Varkonyi will be present.

C.D.P.

C. D. POWELL

30 October 1985





Foreign and Commonwealth Office

London SW1A 2AH

30 October 1985

Dear Charles,

Kadar: Phrase in Hungarian

I enclose a phrase for possible use during the Prime Minister's speech.

Gordon Reid, who coached the Prime Minister when she was in Budapest, is available as a coach if required.

Yours ever,

Colin Budd

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street





Foreign and Commonwealth Office

London SW1A 2AH

Szívesen látom önt hazánkban.

Phonetic

See-veshen La-tom ernt ho-zánk-bon

I am very happy to see you in our country.

(Emphasis on underlined syllables.)





10 DOWNING STREET

File BGM  
BBA  
cc for P.C.

30 October 1985

*From the Private Secretary*

**PRIME MINISTER'S SPEECH AT DINNER IN HONOUR OF MR. KADAR**

I sent you a text of the Prime Minister's proposed remarks at the dinner for Mr. Kadar so that they could be translated and circulated. The Prime Minister has made a number of minor amendments as follows:

i) at the foot of page 3 the passage should read:

"When I tried to buy some paprika and some honey in your market they were pressed into my hand as a gift. And the people who were shopping there gave me such a warm and wholehearted welcome that I shall treasure the memory always. I hope you will have a similar experience at Sainsbury's when you go there tomorrow".

ii) At the top of page 5 please delete the words "within an ordered and just society".

iii) On page 6 for "Helsinki process" please substitute "Helsinki Accords of 1975".

iv) On page 7 please delete the words "and neither seeks to detach the other from that loyalty". And please amend the next but one sentence to read ".... contacts between European countries such as ours can have a useful role in themselves and in building confidence between East and West".

(C.D. Powell)

Colin Budd, Esq.,  
Foreign and Commonwealth Office



RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

30 October 1985

Dear Charles,

000  
30/x

Hungarian Jokes

I enclose the first samples, which as you can see are fairly hopeless. They illustrate however one central problem, which is that a very large proportion of the best Hungarian jokes, not surprisingly, involve being rude either about the Russians or about Hungary's neighbours. I imagine you will agree that none of these I have enclose are suitable. The search continues, and if we find anything better I shall get it over as soon as I can.

Yours ever,

Colin

(C R Budd)  
Private Secretary

C D Powell Esq  
PS/No 10

PS Hungarian sentence in  
hand, & will follow.

RESTRICTED



## HUNGARIAN JOKES (NOT FOR MR KADAR)

At last month's Warsaw Pact Summit in Sofia, the Leaders brought boxed lunches to the Conference table. Gorbachev opened his - caviar and Russian champagne. Husak opened his - delicious Bohemian sausage and Pilsner beer. Envious eyes all round. Kadar opened his - out came a dry crust of bread and a bottle of water. Amazed looks. Honecker turns to Zhivkov and says "Typical Hungarian - always 5 years ahead of the times".

.....

A Cuban, a Russian and a Hungarian share a railway carriage. The Russian produces a bottle of Vodka, takes one sip and throws it out of the window. Looks of horror at the waste. "It's all right", says the Russian, "we have millions of bottles of Vodka in the Soviet Union". The Cuban pulls out a fat cigar and lights up. Two puffs and he throws it out of the window saying "Everyone has thousands of cigars in Cuba". The train goes into a tunnel. Total blackness. When it emerges, the Russian has gone. "What happened to the Russian?" asks the Cuban. "In our country we have 90,000 of them" says the Hungarian.

.....

A Hungarian visits Bucharest. Everyone is in mourning. "What's happened?" asks the Hungarian. "Comrade Ceaucescu

/poured

Romanian  
joke



poured a litre of petrol on his clothes and set fire to himself. We are taking a collection for the family."

"How much have you collected", asks the Hungarian.

"70 litres" replies the Romanian.

*Handwritten notes:*  
10/10/41  
10/10/41



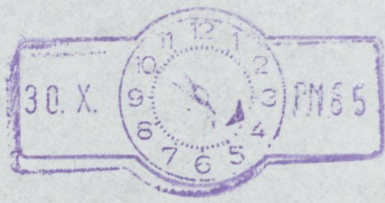
JOKES

- Some years ago another government, on the advice of some well known professors at Oxford and Cambridge, produced a long-term economic plan that was to be the salvation of Britain. Mr Paul Chambers, the Chairman of ICI, was asked on television what he thought of it. He replied: "First reports sound alright. But I have not yet had time to read it in the original Hungarian."

- American scientists announced that in two weeks' time there would be a second Flood. There was worldwide consternation. In the UK, the government announced that taxes were to be abolished. In the Soviet Union, the Russian government announced a nationwide distribution of free vodka. In Hungary the government announced "People of Hungary, we have two weeks in which to learn to live underwater."

SofS used  
with  
VARKONYI  
last  
March





*[Faint, illegible handwritten text]*



PRIME MINISTER

DINNER FOR MR. KADAR

I attach a draft for your remarks at dinner. We have told the Hungarian side that five minutes would be appropriate. They are content.

Ideally we should get a text translated and distributed at dinner to avoid the need for interpretation. If you were ready to approve the attached text tonight we could get this done. You need not, of course, stick strictly to it.

Much of the relevant material about historical links was taken into your speech in Budapest last year, which was of course more substantial. I will go on looking for appropriate references.

Agree text?

C.D.P.

As speaking amended  
no

CHARLES POWELL  
29 October 1985

EL3AQY



→ Charles Powell (No. 10)

Kadar.

This is the first time we have welcomed to No 10 a leader from Eastern Europe in his capacity as General Secretary of the Communist Party.

( Ceausescu came in 1978 on a state visit as President - but was also Gen Sec of the RCP ]



hle

EL3AQX



10 DOWNING STREET

*From the Private Secretary*

29 October 1985

**DINNER FOR MR. KADAR**

I enclose a copy of the draft submitted to the Prime Minister for her speech at the dinner in honour of Mr. Kadar. It is not yet approved: but to save time, it would be as well to start translation of it now.

I am still looking to the department for a usable (and not too used) Hungarian joke: and perhaps a sentence of Hungarian.

(Charles Powell)

Colin Budd, Esq.,  
Foreign and Commonwealth Office.

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RESTRICTED



10 DOWNING STREET

*From the Private Secretary*

28 October, 1985.

VISIT OF MR. KADAR

Thank you for your letter of 25 October about the programme for Mr. Kadar.

I agree that we should aim for a tete-a-tete discussion from 1630-1715 (with Private Secretaries present) followed by an expanded discussion with Foreign Ministers and Ambassadors. Can you arrange for the Hungarian Foreign Minister and Ambassador not to arrive until 1715? Or alternatively would the Foreign Secretary be able to keep them occupied in separate talks here or in the Foreign and Commonwealth Office from 1630-1715?

I also agree with the proposed list of subjects for discussion; and that we should leave interpretation to the Hungarian side.

Ideally speeches should be translated and circulated beforehand. Whether they can be will depend on obtaining the Prime Minister's agreement to a satisfactory text. We shall do our best.

C.D. Powell

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.

JB

RESTRICTED





DEPARTMENT OF ENERGY (2)  
THAMES HOUSE SOUTH  
MILLBANK  
LONDON SW1P 4QJ

Direct Line 01-211 3932  
Switchboard 01-211 3000

PARLIAMENTARY UNDER  
SECRETARY OF STATE

Timothy Flesher Esq  
Private Secretary  
10 Downing Street  
LONDON SW1

Prime Minister

CDD

25 October 1985

29/x

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

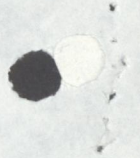
29/12 October 1985



**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







CONFIDENTIAL

*cel*



Foreign and Commonwealth Office

London SW1A 2AH

25 October 1985

*Dear Charles,*

Visit of Mr Kadar : 31 October - 2 November

The Hungarians see Kadar's visit to London as the most significant event in Anglo-Hungarian relations since the War. His main interest will be the talk he is to have with the Prime Minister. I enclose a copy of the programme.

The Prime Minister will find Kadar sprightly but rather frailer than when she saw him on his own ground in 1984. His workload has been reduced this summer through the appointment of a deputy, and he is likely to approach discussions with a broad brush. We are told he spent part of his summer holiday reading books about Britain.

His main domestic concern is with the stagnant Hungarian economy and the social strains and grumblings this has produced. Hungary shares the unease of other East European countries about the effects of Gorbachev's new broom, but is probably sufficiently successful, small and loyal to survive with its interests intact. Kadar visited Moscow in September and appears to have obtained Soviet agreement to continued economic reform and to Hungary's qualified liberalism.

Kadar will have attended the Warsaw Pact Summit in Sofia on 22/23 October. He should therefore be well versed in current Soviet thinking. But he will not wish to be seen as a spokesman for the Warsaw Pact or as a message carrier. We hope that he will leave London encouraged in the belief that it is possible for Hungary to develop both its domestic reform and its relations with the West.

I enclose a despatch from our Ambassador in Budapest which describes Kadar's character and achievements. I also enclose a draft speech for the dinner on 31 October. Briefing will follow, under separate cover.

*Yours ever,*  
*Lee Appleyard*  
(L V Appleyard)  
Private Secretary

C D Powell Esq  
10 Downing Street

CONFIDENTIAL



file JAI ACI

MEETING WITH MR. KADAR

1. Our commitment to playing a full part in East/West political dialogue.
2. Our support for US position on arms control.
3. His assessment of Gorbachev and his likely economic policies in the Soviet Union.
4. Who are the other Soviet leaders to watch?
5. Gorbachev's intentions at the US/Soviet Summit.
6. Hungarian Economy.
7. Hungary/EEC.





PRIME MINISTER'S MEETING WITH THE HUNGARIAN PARTY  
GENERAL-SECRETARY, JANOS KÁDÁR, 31 OCTOBER 1985

Our Objectives

- a) To convince Mr Kadar that Hungary can develop its relations with Britain (and the West) without prejudicing its position with Moscow;
- b) To present the British case on arms control, underlining also President Reagan's sincerity in his search for peace;
- c) To encourage Hungary to continue its distinctive course - economic reform, domestic liberalism, openness to the West - as a nation with pride in its European traditions and history;
- d) To assess political and economic strains between the Soviet Union and Eastern Europe; and to probe Kadar on Gorbachev.

Arguments

- a) UK committed to playing full part in developing East/West political dialogue. No intention of undermining Hungary's socialist loyalties. Wish to build on active bilateral relationship with Hungary. Scope for development of trade and culture between two European nations.
- b) UK also committed to arms control process. Fully support US at Geneva. Now Russians have finally made own proposals (US tabled theirs months ago), certain US response will be flexible and constructive. Some elements in Soviet position could be built on. Others clearly unacceptable eg INF. No question of inclusion of third country systems. Reagan/Gorbachev meeting could give significant impetus to process.





c) (Gorbachev offer of direct talks). Position on UK strategic force well known. No basis for formal bilateral discussion with Soviet Union of British nuclear forces. Naturally prepared to continue regular exchanges on whole range of arms control questions.

d) Developments in Hungary followed with attention and sympathy in UK. CSCE commitments important part of overall picture. Recognise economic difficulties, but hope Hungary able to continue distinctive course.

e) New leadership in Moscow facing wide range of problems. Hungarian assessment of Gorbachev? Results of Kadar/Gorbachev meeting on 25-26 September and of Warsaw Pact summit in Sofia (October)?

#### Tactical Arguments

Hungarians cautious in pursuing distinctive line. Prudent; but over-caution looks like indecision. Economic reform has slowed down, but it is the key to higher output. Hungary could contribute more to East/West understanding on basis of privileged relationship with both sides.

#### Their Objectives

- a) To put across an orthodox Warsaw Pact line, tempered with genuine concern for an improved East/West atmosphere;
- b) To demonstrate that small countries like Hungary are significant and have a role to play in East/West relations;
- c) To probe for differences in the Western Alliance, eg over SDI;





d) To complain about Western discrimination in trade (EC reluctance to phase out quotas, COCOM, etc.), and to press for continued British support for Hungary's approach to the EC;

e) To request the return of the remains of General Meszaros;

f) To ask for help with English language teaching in Hungary.

#### Our Response

a) Recognise Hungarian role in East/West relations. Believe all European countries have role to play. UK close to US; share much thinking, interests; but also expect to speak for ourselves. Like you, think diversity of lines of communication makes useful contribution.

b) Though they deny it, transparent Soviet efforts to split Britain from rest of Western alliance, British Government from own people. This wedge-driving has proved fruitless. Wastes time and opportunities.

c) Share disappointment at lack of progress towards trade agreement with EC. Hungarians will know that UK approach constructive. Real problems. Need to work for agreement with broad balance of economic advantage to both sides. Maximalist Hungarian demands will make it more difficult for EC Member States to show necessary flexibility. COCOM necessary. Existed for many years. Affects only small percentage of trade.





d) Meszaros. UK position unchanged. Closest living relative wishes remains to stay in UK. Must respect this.

e) British Council happy to discuss and participate in plans for increased English teaching.

Press Line

a) First visit to UK by East European leader in Party capacity. Step forward in relations. Chance for him to see something of Britain.

b) Valuable exchange on East/West relations. Both sides underlined commitment to political dialogue, contacts. Welcomed prospect of Reagan/Gorbachev meeting in Geneva.

c) Agreement on good state of bilateral relations, and scope for expanding trade and other exchanges

d) (Defensive) Kádár will not meet HM The Queen. Inappropriate for reasons of Royal protocol. In any case, Her Majesty out of UK.



Background

1. Prime Minister visited Hungary, and met Kádár, in February 1984.
2. Recent visits to UK by Central Committee Secretary for International Affairs, Szuros, October 1984; and by Hungarian Foreign Minister, Varkonyi, March 1985. Both called on Prime Minister.
3. Trade, 1984. UK exports, £100 million; imports £75 million.
4. Parliamentary Under Secretary for Energy, David Hunt, visited Hungary in October 1985 and signed memorandum of understanding on developing cooperation in energy sector.
5. Hungarians hosting CSCE Cultural Forum in Budapest in October/November.
6. Kádár visited Moscow on 25-26 September for talks with Gorbachev. Stress in Soviet media on importance of strengthening cooperation. But also favourable reference to "national peculiarities".
7. Honecker (GDR) likely to visit Budapest just before or after Kádár's visit to UK.
8. General Lazar Meszaros was a hero of the 1848 Hungarian revolt against Austria. Died and buried in England. Hungarians have pressed for return of remains. Closest living relative Mrs Szabo (resident in USA) refused in 1979, citing presence of Soviet troops and absence of human rights in Hungary.





MR JANOS KADAR





PREM 19/1/99

del mt

Films





JÁNOS KÁDÁR (KAA-DAA-R)

General Secretary of the Central Committee of the Hungarian Socialist Workers' Party. Member of the Political Committee: Member of the Presidential Council: Member of the National Assembly.

Born 1912. Apprenticed as a toolmaker and imprisoned several times for Communist activities. In 1942 he became a member of the Central Committee. Arrested by the Germans in 1944, but escaped. In 1945 he organized the Budapest Party and became its Deputy First Secretary. In 1948 he was elected to the Politburo and subsequently became Minister of the Interior. In this capacity he was responsible for the trial of Mindszenty and the trial and execution of his close friend, Foreign Minister Rajk. In 1950 he gave up his Ministerial post to concentrate on Party work but in April 1951 he was arrested, and charged with espionage, treason and Titoism. After being brutally treated in prison, he was released in 1954 and although not completely rehabilitated filled various minor Party posts.

After the fall of Rakosi in July 1956, Kádár was re-elected to the Politburo and gave his support to the Nagy Government. At first he appeared to support the Hungarian Revolution. He is reported to have at first defied the Russians, at one point threatening to fight their tanks with his bare hands, but then broke with Nagy, apparently over the question of Hungarian neutrality and withdrawal from the Warsaw Pact, and fled to the Soviet Embassy. Soon after he set up a Soviet-backed Government, at first on Soviet territory.

By early 1957 he was indisputably head of the new regime as First Secretary, and Prime Minister and universally hated and reviled by the population as a traitor. By 1958, when he resigned the Premiership, he had been responsible for the





brutal liquidation or suppression of those who had been prominent in the Revolution (including many young people) although it is not clear what his role was in the subsequent execution of Nagy. A visit by Khrushchev in April 1958 confirmed his position. He resumed the post of Prime Minister from 1961 to 1964. In 1972 he presided over a compromise between the reformist and conservative groups in the Party. There are frequent rumours that he wishes to retire, but the power struggle over the succession and popular pressure have prevented him from standing down.

In September 1974 he led a high level Party and Government delegation to Moscow. In July 1975 he met the Foreign Secretary, Mr James Callaghan, and in December 1976 he made a highly successful visit to Austria. In 1977 he made further successful and well-publicised visits to West Germany, Italy (and the Vatican). He visited France in 1978 and revisited West Germany in 1982. He received Lord Carrington in 1980 and Sir Geoffrey Howe in September 1983. In July 1983, he made an important visit to Moscow, where Mr Andropov (who had been Ambassador for the USSR to Hungary in 1955-57 and was instrumental in installing Kádár in his present position after the 1956 Revolution) appears to have given his endorsement of current Hungarian policies. He also visited Warsaw, Prague and East Berlin in quick succession in the autumn/winter of 1983 - an unusually taxing programme for a man of his age.

Kadar is a formidable man who has been in charge of Hungary for nearly thirty years. Memories of his lurid past and the crimes and betrayals of the fifties have, in Hungary, been overlaid by the conciliatory policies of the last 20 years. He is now generally identified with the gradual improvement of conditions for Hungarians and respected for his ability to handle the Russians. He is a good orator but his usual style is quiet and there is no trace of any "cult of





personality" in Hungary. He has not groomed a successor - a matter of concern to many Hungarians.

He is a keen football supporter and chess player, and enjoys shooting and the cinema, especially Westerns. To meet he is impressive, alert and vigorous, and handles discussions in a businesslike way. He seems in reasonable health, though he is not very robust and may be beginning to tire. He is a chain smoker. Married, but no children. His wife worked in the Government Information office but has now retired. He does not speak English.





Foreign and Commonwealth Office

London SW1A 2AH

25 October 1985

Dear Charles,

Visit of Mr Kadar: 31 October-2 November

We exchanged letters on 7 October about the arrangements for Mr Kadar. I enclose an up-to-date copy of the programme. I would welcome your advice on the following points:

- (a) Talks: 1630-1830 on 31 October - I assume that the Prime Minister will have a tete-a-tete conversation with Mr Kadar at the start of the talks. The Hungarians have asked that Mr Kadar should have with him his Private Secretary, Mr L Kovacs, as well as the interpreter, Dr Banlaki. Is this acceptable?
- (b) For the main talks you have agreed that the two sides will include the Foreign Ministers, Ambassadors, Private Secretaries, and interpreters. Normally we would leave interpretation to the Hungarian side and Dr Banlaki is extremely skilled (he interpreted for the Prime Minister in Budapest). If you would like an interpreter from our side we would propose Gordon Reid, who formerly served in Budapest, and has regularly been used as an interpreter.
- (c) We should indicate to the Hungarian side an idea of subjects to be discussed. We would suggest East-West relations and arms control, economic issues and bilateral relations.
- (c) Speech at Dinner: we have told the Hungarians that the Prime Minister's speech will last about 5 minutes. (I have sent you a draft.) I should be grateful for confirmation about whether speeches should be translated and distributed beforehand, which would halve the length of the proceedings, or whether you would prefer consecutive translation by Mr Kadar's interpreter. If the Prime Minister's speech is to be translated and printed I hope we could have the text early next week.

/Perhaps





Perhaps we could have a word on the telephone about these points?

*Yes, ever,  
Peter Ricketts*

*P.P.*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street



VISIT OF MR KÁDÁR, GENERAL SECRETARY OF THE CENTRAL  
COMMITTEE OF THE HUNGARIAN SOCIALIST WORKERS PARTY:  
31 OCTOBER - 2 NOVEMBER

OUTLINE PROGRAMME

Thursday 31 October

- 1110 Arrive in London (Heathrow  
Southside) by private plane.  
Stay at the Hyde Park Hotel. Lunch  
at hotel.
- 1400 Sightseeing tour of London:  
Visit British Museum: Reading Room  
to view display of rare Hungarian  
Literature in North Library, and  
historical documents and books in the  
King's Library
- 1500 Call on the Lord Mayor, Sir Alan  
Traill, at the Mansion House.  
Return to hotel.
- 1630 - 1830 Talks with the Prime Minister, the Rt  
Hon Margaret Thatcher, MP, at 10  
Downing Street.  
Return to hotel



1845 - 1930

Meeting with the Rt.Hon Neil Kinnock,  
MP, leader of the Labour Party.

1945 for 2000

Dinner given by the Prime Minister at  
10 Downing Street.

Friday 1 November

1015 - 1040

Meeting with the Speaker at the  
Palace of Westminster

1040 - 1115

Tour of Palace of Westminster led by  
Sir Anthony Kershaw, MP, Chairman of  
the Foreign Affairs Committee.

Visit to Sainsbury's food store, Nine  
Elms

1300 for 1315

Lunch hosted by the Secretary of  
State for Foreign & Commonwealth  
Affairs, at 1 Carlton Gardens.

1530 - 1700

Meeting with leading businessmen/  
industrialists arranged by the CBI  
at Centre Point.

1715 - 1800

Press conference at the Hyde Park Hotel.



1800

Mr Kádár to meet members of the  
Hungarian Community at the Embassy.

2000

Dinner given by HE Dr Matyas Domokos  
at the Embassy.

Saturday 2 November

0800?

Leave the hotel.

0900

Arrive RAF Northolt

0910

Depart by Special British Aerospace  
Flight for Scotland.

1000

Arrive Edinburgh Airport. Met by  
Mr Malcolm Rifkind QC MP, Minister of  
State for Foreign and Commonwealth Affairs.

1010

Leave the Airport by car.

Arrive Anderson Strathclyde plc,  
Coal Face Equipment Division,  
Motherwell, Lanarkshire. Met by  
Deputy Chairman and Chief Executive  
Mr J M Little.

Presentation on Anderson Strathclyde plc.



1105 Tour Anderson Strathclyde plc.

1200 Leave Anderson Strathclyde plc.

1245 Arrive Edinburgh Castle.

1245 for 1300 Luncheon given by Her Majesty's  
Government Host: The Minister of  
State for Foreign and Commonwealth  
Affairs, Mr Malcolm Rifkind, QC MP.

1415 Tour of Edinburgh Castle to include:  
The Scottish Regalia  
The Great Hall  
St Margarets Chapel

1435 Leave Edinburgh Castle.

1450 Arrive Edinburgh Airport.

1500 Return to Budapest by private plane.  
Mr Rifkind will bid farewell.





Prime Minister (2)  
 You may like to see  
 this before your meeting  
 with Kadar next week.

KÁDÁR'S HUNGARY: OR 29 YEARS IS A LONG TIME IN POLITICS

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Summary

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1. Kádár visits London as undisputed master of Hungary, having lived down a justified reputation for murder and treachery both before and after the 1956 uprising. (paras 1-3)
2. Although a dedicated communist, Kádár has never allowed ideology to obscure reality. He has tried to create a consensus in Hungary and has returned the country to something approaching normality. (paras 4-9)
3. Kádár's brand of pragmatic national communism begins with economic reform. The aim is to make the Hungarian economy work according to the realities of economic life, not dogma. The effects are beginning to spill over into political life. Kádár's high standing with the Hungarian people results from the limited success of this policy. (paras 10-14)
4. But Kádár's achievement may not be durable. Hungary is not as stable as it looks. The widening gap between Leninist theory and Hungarian practice is creating contradictions and tensions. Stability based on hypocrisy may not outlive Kádár. The West has a chance to influence developments. (paras 15-18)





BRITISH EMBASSY  
BUDAPEST

4 October 1985

The Rt Hon Sir Geoffrey Howe QC MP  
Secretary of State for Foreign and  
Commonwealth Affairs  
Foreign and Commonwealth Office  
LONDON SW1

Sir

KÁDÁR'S HUNGARY: OR 29 YEARS IS A LONG TIME IN POLITICS

1. On 31 October, Janos Kádár will dine with the Prime Minister in Downing Street. He will be interesting for his wisdom and experience, and for his knowledge of the Kremlin's ways. He will be welcome because, as General Secretary of the Hungarian Socialist Workers' Party and undisputed master of Hungary, he has given communism in this small country something close to an acceptable face.

1956

2. It was not always so. 29 years ago, in November, 1956, Kádár made himself an international leper. In the tumultuous days of the Hungarian October, he spoke out boldly for Hungary. The old communist party had collapsed. Kádár said openly that if the communists were to rebuild their credit in Hungary they would have to start again from scratch. He willingly joined Imre Nagy's government. On 1 November he told Andropov, then the Soviet Ambassador, that if the Russians came in with their tanks he would go into the streets and fight them with his bare hands. Immediately thereafter caution, or ambition, or cowardice supervened. Kádár disappeared. He formed a quisling government

/and

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and came back to Budapest in the wake of the Soviet tanks. He put his name to the safe conduct that persuaded Nagy and his companions to leave sanctuary in the Yugoslav Embassy. He raised no objection when the Soviet Secret Police kidnapped them as soon as they emerged. In the next few months Kádár steadily eroded what was left of Hungarian defiance and Hungarian freedom. He executed perhaps 2000 Hungarian patriots. In June, 1958, he judicially murdered Nagy, the legal Prime Minister of Hungary, and three of his associates. Some time afterwards this Embassy reported that Kádár might be able to enforce acquiescence; he could never hope for willing popular support. I remember; I drafted that report; how wrong I was.

#### Pre-1956

3. Kádár's career was a chequered one even before the 1956 uprising. He joined the illegal Communist Party in 1932, and was imprisoned several times by the Horthy regime. The Germans arrested him, but he got away. In 1945, with Budapest under Russian control, he came to prominence as the communists destroyed their opponents by salami tactics and established one party dictatorship. In that process, Kádár played the hard man's role. He became chief of Budapest police. When in 1949 László Rajk, his close friend, was eased out of the Ministry of the Interior, Kádár replaced him there. When Rajk was framed and tried, Kádár raised no objection. It is said that he persuaded Rajk to confess for the Party's sake with the promise

/that





that he would be saved. Rajk did and died. A little later Kádár himself was in prison again - for three and a half years, three in solitary. He was released only in 1955, in time to play the ambiguous role in the Hungarian uprising which left him, under the Russians, master of Hungary.

Kádár's secret: an unshakeable grasp of reality

4. Looking back, it is clear that even in 1956 there was much more to Kádár than careerism, cowardice and infinite flexibility. There can be little doubt of his firm commitment to communism: a commitment formed during the Horthy years, with his experience of working class misery; reinforced by his wartime trials and tribulations; and unshaken by the excesses of the fifties of which he was a victim. Kádár's record shows that he combines that commitment with an acute instinct for what is doable and what is not. He loves chess. Like a good chess player he is willing to make short term sacrifices and compromises for a better longer term position on the board. In September 1983, he said to you, Sir, that the Hungarians had learned in 1956 that they must deal with things as they are and not as they would like them to be. His success has come from sticking to that principle.

5. His behaviour in 1956 illustrates this. Kádár's record since then suggests that he probably wanted much what Nagy wanted: a decent Hungary under decent communist party leadership; an end to terror; concern for man today as well as man in a

/future





future Marxist-Leninist paradise. But Nagy allowed himself to be pushed beyond that, into a multi-party system and, when he renounced the Warsaw Pact, into neutrality. Kádár's grasp of reality told him that the multi-party system and free elections would mean the end of communism; and that neutrality would bring the Russians around Nagy's ears. So he betrayed Nagy.

6. With hindsight we can see that, in the aftermath of the uprising also, Kádár's ambiguous policies were shaped by that unshakable grasp of reality. He mercilessly punished those who had fought for Hungary: they threatened his own position and their sacrifice would placate Moscow. But from the very beginning Kádár was using conciliatory language about reconciliation and moderation and about the need to avoid any return to the Stalinist past. He called the events of 1956 a national tragedy when the ideologues were insisting that they were a counter-revolution.

7. In 1959 Kádár pushed the peasants back into agricultural co-operatives. But he allowed them to keep their private plots. There was no return to the collection of produce at the point of a gun. The agricultural structure Kádár went for was essentially the one Nagy had advocated. The result was communist Hungary's first success story. Even today, Hungary prospers largely on the back of its agriculture.





8. The story was the same in the cities. Once the post-revolutionary trials and executions were over, pressures eased. Politics were played quietly, in a minor key. There was no return to mad demands for impossible levels of industrial production. When Kádár visited a factory he went as a former worker and a fellow worker, not a god and a miracle maker. By the end of 1961 Kádár was able consciously to reverse Rákosi's slogan and proclaim that "he who is not against us is with us". After 14 years of super-charged politics, terror, uprising and retribution, Kádár had brought Hungary back to something approaching normalcy.

9. He has worked quietly ever since to convey the message that things in Hungary are normal. He speaks in public infrequently. When he does his style is conversational. The regime pursues a cult almost of impersonality. Kádár allegedly dislikes the media: he certainly appears very rarely. Under him, the emphasis is on Hungary's needs and interests as a small, internationally not very important, loyal member of the socialist world. The guiding principles remain the same. Keep the people contented: by steady material advance, an unprovocative political style, carefully measured safety valves like a little free speech and a good deal of foreign travel. On the other hand, constantly reassure Moscow by deeds as well as words that Hungary is trustworthy. Above all, never again permit a situation to develop in which the demands of the people clash with the requirements of Moscow, as they did in 1956. Kádár's

/grasp





grasp of reality told him that only by making concessions to consensus and consultation could he secure the future of communist party rule. So he did so. The result was his brand of national communism - in practice based on the Nagy prospectus, but pursued more cautiously and circumspectly, and under another name.

#### The Hungarian Reform

10. The Hungarian economic reform epitomises Kádár's policy of pragmatic national communism. Realism and pragmatism told Kádár that he had to keep living standards rising if he was to keep the people quiet; and he had got into politics in the first place to improve the lot of the working man. Realism also told him that Marxist-Leninist centrally-planned materialism was not delivering the material goods. The result was the "New Economic Mechanism": foreshadowed in much that Kádár and others said in the early sixties and even earlier; developed by the restless ingenuity of Hungarian economists; launched as a programme in the autumn of 1968; and pursued, sometimes slowly, sometimes vigorously, through stops, checks and restarts, ever since. The reform seeks to make the Hungarian economy work according to the realities of economic life, rather than dogma or diktat. Smaller, more manageable units. Cautious decentralisation of responsibility. More respect for the unchanging realities of human nature; more incentives for those who work effectively; and more scope for the man who wants to go it alone.





11. Kádár's hand in the programme can be detected throughout. He has written next to nothing about it. But he has appointed and supported the men who devised it; cut short the careers of those who opposed (and occasionally of those who wanted to go too far or too fast); added to the mix his wisdom about what the Kremlin and the people will tolerate. The stops and starts of the last 17 years reflect his caution and realism; the persistence with the programme his stubbornness and determination.

#### Political Life

12. The cautious liberalisation inherent in Kádár's economic reform is beginning to spill over into other fields. The amnesty of 1962 began a process of draining fear out of Hungarian life. It has by no means been completed. People still fear to write or to say in public what they believe, and there is pervasive fear of the future particularly when Kádár goes. But this anxiety is nothing compared with the terror which haunted Hungary under Rákosi and in the years between the uprising and the amnesty. People are saying and writing things today which could have got them hanged 35 years ago. We know of no manifestly political prisoners and of only a handful of people whose offences might be argued to be political. There is here not general contentment - people still resent the suffocating hypocrisy, the arbitrariness and inefficiency of the system - but a fairly wide-based acceptance that things are a lot better than they were and as good as they can reasonably be /expected





expected to be. It is even possible to argue that the regime is moving on to give political form to this process of liberalisation: elections in June this year where every seat was contested, where the electors exercised the right to choose people if not policies, and where more than one local Mr Big got his come-uppance.

#### Kádár's Standing

13. Sitting as he does at the centre of the web of power in this country, Kádár has had a hand in all of this. His standing here has moved by almost imperceptible steps from that of the quisling who came back behind the Russian tanks to that of the father of his people. The secret of his resurrection is that he has in practice delivered much of what those in 1956 fought for, and the Hungarian people recognise it. Maybe he would claim that he saw this all along. Certainly, he has worked skilfully to secure Hungary as good a deal under the circumstances as it was ever likely to get.

14. When I came here in 1983 I reported my belief that in the free election which would not happen Kádár would get 70% of the votes. Since that time he has aged a little. Earlier this year the Party Congress appointed a formal deputy to lighten his work load. There are suggestions that he is past it; losing his grip; on his way out. There is something in them, but I think they are exaggerated. Kádár has won the affectionate respect of most Hungarians. He can look back with a certain satisfaction on the things that he has achieved since 1956.

/Whither



Whither Hungary?

15. That said, I do not believe that Kádár's Hungary is a particularly durable or stable place. Kádár and the Hungarian people have become partners in an undeclared conspiracy. They have quietly developed their own brand of national communism, which bears less and less resemblance to Soviet practice and theory, whilst avowing doctrinal orthodoxy in order to keep the Russians off their backs. Kádár's Hungary is built on this gross hypocrisy. Its success flows from an untypical self-restraint - a result of the hard lesson on 1956. When discontent stirs, when the leadership's patience falters, when Moscow becomes demanding, memories of 1956 are enough to restore self-discipline. But the Hungarians are a volatile, talkative people, a nation of individualists. And more and more younger people have no direct recollection of 1956. As long as Kádár is in charge, this stability based on hypocrisy will survive; he has the authority, experience and hard-headedness to hold the act together. But, once he goes, the double standard, the naked pragmatism without ideological foundation, may be exposed. That is why the Hungarians are so anxious about what might follow Kádár.

16. So though Kádár has done much, he has not completed his masterpiece; and I doubt whether at 73 and showing his age he now has time to do so. He brought Hungary back from catastrophe in 1956. He built a tentative sort of national unity. He gave Hungarians communism with a reasonably human face. He has kept

/the





the Soviet Union relatively contented and the Hungarian people relatively happy. But neither he nor his Hungary can look to the future with certainty, nor even with a great deal of confidence. Hypocrisy is no basis for a stable society, and as I have said there is even more hypocrisy here than in other communist states. Hungarian society remains fraught with contradictions and tensions. Despite economic reform, the economy is ill-equipped to satisfy mounting needs and expectations. The international situation too poses a question mark, as the firm hand of Gorbachev makes itself felt. No one can be certain what sort of place Hungary will become after Kadar has gone; but everyone here reckons it likely that in the short-term at least it will be a worse one.

#### Implications for Western Policy

17. The West, and Britain in particular, has encouraged Kadar in the policies he has pursued. It was clearly in our interest that Hungary should become a more organic place, proud of its national identity and resistant to anything which absorbed it into a communist monolith. Kadar's visit to London will, I hope, take the encouragement still further. I believe that the policy is paying off. The West, and Britain in particular, has an influence in Hungary unimaginable in the old days.

18. How can we take this process further? Your recent despatch on British policy towards Eastern Europe provides valuable guidelines. You describe our objectives in this

/part





part of the world as being to weaken Soviet control over its satellites by supporting a policy of evolutionary change. This is <sup>W</sup>hat we are doing in Hungary; and already there are faint, pale signs of a revival of indigenous political life. We need to pursue that policy further as the Kádár years draw to a close. I hope to put to you ideas on how our policy towards Hungary should develop, within the framework of the guidelines you have set out, when we have all had a chance to look at Kádár in action close up.

19. I am copying this despatch to Her Majesty's Ambassadors in Moscow and Eastern European capitals; at Bonn, Paris and Washington; and at NATO in Brussels.

I am, Sir,

Your obedient Servant

A handwritten signature in cursive script that reads "Peter Unwin".

P W Unwin



VISIT OF MR KÁDÁR, GENERAL SECRETARY OF THE CENTRAL  
COMMITTEE OF THE HUNGARIAN SOCIALIST WORKERS PARTY:  
31 OCTOBER - 2 NOVEMBER

OUTLINE PROGRAMME

Thursday 31 October

- 1110 Arrive in London (Heathrow  
Southside) by private plane.  
Stay at the Hyde Park Hotel. Lunch  
at hotel.
- 1400 Sightseeing tour of London:  
Visit British Museum: Reading Room  
to view display of rare Hungarian  
Literature in North Library, and  
historical documents and books in the  
King's Library
- 1500 Call on the Lord Mayor, Sir Alan  
Traill, at the Mansion House.  
Return to hotel.
- 1630 - 1830 Talks with the Prime Minister, the Rt  
Hon Margaret Thatcher, MP, at 10  
Downing Street.  
Return to hotel



1845 - 1930 Meeting with the Rt.Hon Neil Kinnock,  
MP, leader of the Labour Party.

1945 for 2000 Dinner given by the Prime Minister at  
10 Downing Street.

Friday 1 November

1015 - 1040 Meeting with the Speaker at the  
Palace of Westminster

1040 - 1115 Tour of Palace of Westminster led by  
Sir Anthony Kershaw, MP, Chairman of  
the Foreign Affairs Committee.

Visit to Sainsbury's food store, Nine  
Elms

1300 for 1315 Lunch hosted by the Secretary of  
State for Foreign & Commonwealth  
Affairs, at 1 Carlton Gardens.

1530 - 1700 Meeting with leading businessmen/  
industrialists arranged by the CBI  
at Centre Point.

1715 - 1800 Press conference at the Hyde Park Hotel.



- 1900 Mr Kádár to meet members of the  
Hungarian Community at the Embassy.
- 2000 Dinner given by HE Dr Matyas Domokos  
at the Embassy.

Saturday 2 November

- 0800? Leave the hotel.
- 0900 Arrive RAF Northolt or Hatfield.
- 0910 Depart by Special British Aerospace  
Flight for Scotland.
- 1000 Arrive Edinburgh Airport. Met by  
Mr Malcolm Rifkind QC MP, Minister of  
State for Foreign and Commonwealth Affairs.
- 1010 Leave the Airport by car.
- Arrive Anderson Strathclyde plc,  
Coal Face Equipment Division,  
Motherwell, Lanarkshire. Met by  
Deputy Chairman and Chief Executive  
Mr J M Little.
- Presentation on Anderson Strathclyde plc.



1105 Tour Anderson Strathclyde plc.

1200 Leave Anderson Strathclyde plc.

1245 Arrive Edinburgh Castle.

1245 for 1300 Luncheon given by Her Majesty's  
Government Host: The Minister of  
State for Foreign and Commonwealth  
Affairs, Mr Malcolm Rifkind, QC MP.

1415 Tour of Edinburgh Castle to include:  
The Scottish Regalia  
The Great Hall  
St Margarets Chapel

1435 Leave Edinburgh Castle.

1450 Arrive Edinburgh Airport.

1500 Return to Budapest by private plane.  
Mr Rifkind will bid farewell.





Foreign and Commonwealth Office

London SW1A 2AH

25 October 1985

Dear Charles,

Visit of Mr Kadar: 31 October to 2 November

/ I enclose a brief for the Prime Minister's talks with Mr Kadar at 4.30 pm on Thursday 31 October. I have already sent you a scene-setting letter and a despatch and there will be two further telegrams from Budapest after the Ambassador's pre-visit call on Kadar today.

Yours ever,

Colin Budd

(C R Budd)

C D Powell Esq  
10 Downing Street



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OF 251615Z OCTOBER 85

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KADAR'S VISIT TO LONDON: SCENE-SETTER.

SUMMARY

1. KADAR COMES TO LONDON AT A GOOD TIME, AFTER THE NEW YORK AND SOFIA MEETINGS AND BEFORE GENEVA. ON EAST/WEST RELATIONS HE HAS SOMETHING TO OFFER FROM MEETINGS WITH GORBACHEV IN SEPTEMBER AND IN SOFIA: AND WITH HONECKER HERE NEXT WEEK. HE THINKS THAT HE HAS SECURED GORBACHEV'S APPROVAL FOR FURTHER REFORM AND HIS UNDERSTANDING OVER HUNGARY'S ECONOMIC DIFFICULTIES. BUT HE ALSO NEEDS THE HELP OF THE WEST.

DETAIL

EXTERNAL

2. THE HUNGARIANS HOPE FOR A POSITIVE OUTCOME OF THE GENEVA SUMMIT AND BELIEVE THAT THEIR DIPLOMACY, AND PARTICULARLY KADAR'S VISIT TO LONDON, HAS A CONTRIBUTION TO MAKE. HUNGARY'S DIPLOMATIC PROFILE THIS YEAR MAY HAVE BEEN LOWER THAN IN 1984, BUT EVEN AFTER THE 21 JUNE PRAVDA ARTICLE THERE WAS NO BREAK IN THEIR ADVOCACY OF THE ROLE OF MEDIUM AND SMALL POWERS OR IN THEIR EMPHASIS ON THE ESSENTIAL UNITY OF EUROPE.

3. ON THE ARMS RACE, KADAR IS BOUND TO ARGUE POST SOFIA THAT THE CENTRAL ISSUE IS SDI. THE HUNGARIANS ARE DESPERATE FOR AN ARMS LIMITATION AGREEMENT AND A SDI FREEZE. THEY FEAR THE POLITICAL CONSEQUENCES IF THE OCCASION IS MISSED: AND THEY KNOW THAT THEY WOULD NOT AVOID PART OF THE SOVIET BILL FOR STILL HIGHER ARMS EXPENDITURE.

4. KADAR CAN SPEAK WITH SOME CONFIDENCE ABOUT GORBACHEV, HAVING TALKED TO HIM TWICE IN A MONTH. THE HUNGARIANS SEEM TO HAVE CONVINCED THEMSELVES THAT HE IS GOOD NEWS. IN EAST-WEST CONTACTS IN PARTICULAR, HE HAS COME ROUND TO THE POSITION TOWARDS WHICH THEY WERE TRYING TO NUDGE HIS PREDECESSORS. THE HONECKER VISIT HERE MAY ALSO BE SIGNIFICANT: THE TWO SATELLITES WITH MOST TO LOSE FROM EAST-WEST TENSIONS GETTING TOGETHER.

5. ABOVE ALL, THE HUNGARIANS WANT A REDUCTION IN EAST-WEST TENSIONS TO IMPROVE THEIR CHANCES OF WESTERN TRADE, INVESTMENT, TECHNOLOGY AND CREDIT WHICH THEY BADLY NEED IF THEY ARE TO MODERNISE HUNGARY'S ECONOMY, IMPROVE LIVING STANDARDS AND AVOID THE SLIDE TOWARDS SOME GHASTLY RUMANIAN PIT.

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INTERNAL



INTERNAL

6. THE ECONOMIC PICTURE HERE LOOKS PRETTY BLACK. HAVING COME BACK FROM THE BRINK OF INSOLVENCY IN 1982, THE REGIME CLAIMED IN THE EARLY MONTHS OF THIS YEAR TO SEE LIGHT AT THE END OF THE TUNNEL. DEBT REPAYMENT WOULD CONTINUE: BUT LIVING STANDARDS COULD BEGIN TO RISE AFTER FOUR YEARS STAGNATION. THEY PLAYED THIS TUNE VIGOROUSLY AT THE PARTY CONGRESS IN MARCH AND AT THE ELECTIONS IN JUNE. MANY HUNGARIANS BELIEVED THEM. BUT BUDAPEST WAGS ARE SAYING THAT THE LIGHT IN THE TUNNEL WAS AN EXPRESS TRAIN COMING IN THE OPPOSITE DIRECTION. THE BALANCE OF HUNGARY'S FOREIGN TRADE HAS DRAMATICALLY WORSENE DUE TO A HARSH WINTER, DETERIORATING TERMS OF TRADE, LACK OF COMPETITIVITY, NOTABLY IN THE MANUFACTURING SECTOR, AND TOUGHER DEMANDS FROM CMEA PARTNERS, NOTABLY THE USSR, OVER ENERGY PRICES, QUALITY OF GOODS AND PAYMENT TERMS. THE PICTURE IS PARTICULARLY BAD ON TRADE WITH THE WEST, WHICH MAY BE SUFFERING FROM THE DIVERSION OF SOME OF HUNGARY'S LIMITED HIGH QUALITY EXPORTS TO PAY FOR SOVIET OIL AND GAS.

7. THE REALISTS IN THE PARTY, ALMOST CERTAINLY INCLUDING KADAR, NOW RECOGNISE THAT THEY GOT THINGS SERIOUSLY WRONG AT THE CONGRESS: THAT HARD ECONOMIC DECISIONS WILL BE UNAVOIDABLE: AND THAT THE NEXT FIVE YEAR PLAN WILL NEED TO CONCENTRATE ON INVESTMENT IN ITS FIRST HALF BEFORE LIVING STANDARDS CAN IMPROVE IN THE SECOND. THEY ARE CONFIDENT OF BEING ABLE TO HANDLE THE SITUATION: AND THEY ARE PROBABLY RIGHT. BUT THERE COULD BE DIFFICULTIES. PRICE RISES WOULD BE EXTREMELY UNPOPULAR AND MIGHT BE RESISTED. THERE ARE OTHER SKELETONS IN THE CUPBOARD. HUNGARY'S COMMITMENT TO THE RUINOUSLY EXPENSIVE DANUBE DAM PROJECT (AND TO FUNDING SOVIET GAS PIPELINES) WOULD, IN A MORE OPEN SOCIETY, TAKE A LOT OF EXPLAINING: THEY ARE BAD DECISIONS WHICH WILL PREEMPT RESOURCES DESPERATELY NEEDED TO UPGRADE HUNGARY'S MANUFACTURING BASE.

8. AGAINST THIS GLOOMY BACKGROUND, IT WAS VITAL FOR KADAR TO GET A SYMPATHETIC HEARING IN MOSCOW AT THE END OF LAST MONTH. THE RECEIVED WISDOM IS THAT HE INDEED GOT THE GREEN LIGHT FROM GORBACHEV FOR CONTINUED ECONOMIC REFORM AND, IN PRINCIPLE AT LEAST (AND THE DETAIL WILL BE WHAT REALLY MATTERS), SOVIET UNDERSTANDING OF HUNGARY'S DIFFICULTIES OVER THE NEXT TWO YEARS. HOWEVER, WE ALSO BELIEVE THAT GORBACHEV WARNED KADAR THAT THE LEADING ROLE OF THE PARTY WOULD BE AT RISK IF OPPOSITION IN HUNGARY WAS NOT KEPT ON A TIGHT REIN. IN THE WAKE OF THE MULTI-CANDIDATE PARLIAMENTARY ELECTIONS LAST JUNE, VARIOUS ELEMENTS OF POLITICAL OPPOSITION GOT TOGETHER FOR THE FIRST TIME EVER TO CONSIDER HUNGARY'S COURSE WHEN KADAR GOES: EVIDENTLY THE RUSSIANS DID NOT LIKE IT. THE LAST THING THEY WANT IS TROUBLE IN EASTERN EUROPE WHILE THEY ARE TACKLING THEIR OWN INTERNAL PROBLEMS. THE BANNING OF THE UNOFFICIAL CULTURAL FORUM LAST WEEK AT SOVIET BEHEST (BUDAPEST TELNO 219) MAY BE FURTHER EVIDENCE OF THEIR DETERMINATION TO SHOW WHO IS BOSS.

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9. IF KADAR'S EASTERN FLANK HAS BEEN SECURED, THE WESTERN NEEDS ATTENTION. LOWER HARD CURRENCY EARNINGS LIMIT HUNGARY'S CHANCES OF RAISING INDUSTRIAL STANDARDS BY IMPORTING PLANT, PARTICULARLY HIGH TECHNOLOGY. THE SHORTAGE OF DOMESTIC FUNDS FOR INVESTMENT CONTINUES. HENCE THE INCREASED HUNGARIAN EMPHASIS ON FOREIGN INVESTMENT, JOINT VENTURES, AND WESTERN TECHNOLOGY. HUNGARY'S CREDIT WITH WESTERN BANKERS REMAINS REASONABLY HIGH. KADAR IN LONDON WILL BE LOOKING FOR WAYS TO INTEREST BRITISH BUSINESS IN INVESTMENT AND COOPERATION. POLITICALLY IT WOULD BE GOOD IF WE COULD HELP HIM. BUT IT IS HARD TO SEE THIS COUNTRY BEING ABLE TO OFFER MANY ATTRACTIVE PROSPECTS FOR WESTERN DIRECT INVESTMENT.

UNWIN

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PS/MR RIFKIND

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MR DEREK THOMAS

SIR W HARDING

MR FERGUSSON

MR GOODALL

MR SAMUEL

MR DAUNT

MR DAVID THOMAS

MR LONG

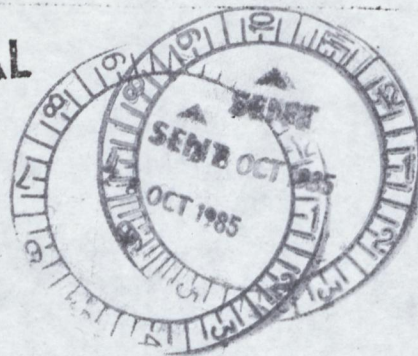
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MY CALL ON JANOS KADAR.

1. I HAD THREE QUARTERS OF AN HOUR WITH KADAR THIS MORNING AT MY REQUEST. HE RAMBLED A GREAT DEAL AND SMOKED AT THE RATE OF SIX CIGARETTES AN HOUR. BUT HE SEEMED FIT FOR HIS AGE AND WAS VERY MUCH IN COMMAND. I DO NOT THINK THAT YOU OR THE PRIME MINISTER WILL DETECT ANY SIGNIFICANT CHANGE SINCE LAST SEEING HIM.
2. KADAR MADE MUCH OF THE FACT THAT IT WAS VERY EXCEPTIONAL FOR HIM TO RECEIVE AN AMBASSADOR. HE THEN EMBARKED ON A MONOLOGUE. HE SAID THAT HE WAS LOOKING FORWARD TO THE VISIT AND WOULD UNDERTAKE EVERYTHING WE HAD PROPOSED, INCLUDING THE VISIT TO EDINBURGH. BUT HE MADE IT CLEAR THAT HE THOUGHT THIS WOULD BE HARD WORK FOR A MAN OF HIS AGE.
3. RECALLING THAT I HAD BEEN HERE IN THE FIFTIES KADAR SAID THAT I WOULD KNOW THAT HUNGARIAN POLICY WAS ENTIRELY CONSISTENT. TRYING TO RUN ENTERPRISES PRODITABLY DID NOT MAKE THEM CAPITALISTS. THEY HAD THEIR PROBLEMS, MOST PARTICULARLY IN THE ECONOMIC FIELD. BUT THEY WOULD NOT DEPART FROM THEIR CONSISTENT COURSE, WHICH I TAKE TO MEAN BOTH COMMUNISM AND REFORM.
4. IN SEPTEMBER GORBACHEV HAD ASKED ABOUT HIS HEALTH. HE HAD TOLD HIM THAT HE FELT AS WELL AS COULD BE EXPECTED AT HIS AGE. BUT GORBACHEV SHOULD NOT WORRY. POLICY IN HUNGARY WAS NOT MADE BY ONE MAN, OR TWENTY, OR EVEN 200.
5. I SAID THAT I KNEW THE PRIME MINISTER WAS LOOKING FORWARD TO HIS VISIT TOO. IT STRUCK ME AS HELPFUL THAT IT WAS TAKING PLACE SHORTLY AFTER THE NEW YORK AND SOFIA MEETINGS AND BEFORE GENEVA. KADAR DID NOT RISE ON WHAT HAD HAPPENED IN SOFIA. BUT HE SAID THAT HE VERY MUCH HOPED FOR THE BEGINNINGS OF PROGRESS AT GENEVA. PEOPLE TOLD HIM THAT REAGAN WANTED PEACE. HE FELT THAT HIS ACTIONS BELIED IT. I SAID THAT WE WERE CONVINCED THAT REAGAN WANTED PEACE AND BELIEVED THAT US POLICY AS IT UNFOLDED WOULD PROVE IT. I HOPED WE COULD PERSUADE HIM OF THIS WHILE HE WAS IN LONDON.

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16.



6. KADAR AGREED THAT HIS VISIT CAME AT A GOOD TIME. SO HAD THE PRIME MINISTER'S IN 1984 TO BUDAPEST. THERE HAD BEEN THOSE, INSIDE HUNGARY AND OUTSIDE, WHO HAD HAD THEIR DOUBTS ABOUT HER VISIT, POINTING TO THE CONCENTRATION OF VISITS BY WESTERN LEADERS (THE PRIME MINISTER, CRAXI AND KOGL) WHO WERE ABOUT TO RECEIVE CRUISE MISSILES. THE POLITICAL CLIMATE AT THE END OF 1983 HAD BEEN VERY COLD. BUT HE WAS A SIMPLE MAN. HE HAD REALISED THAT WE WOULD ALL HAVE TO GO ON LIVING TOGETHER IN EUROPE IN 1984. HE HAD DECIDED THAT THE VISITS SHOULD GO AHEAD. AND THEY HAD PLAYED A USEFUL PART IN THE SEARCH FOR PEACE. I MAY BE WRONG BUT IT CROSSED MY MIND THAT THIS WAS AN ALLUSIVE REFERENCE TO DOUBTS ABOUT HIS OWN VISIT TO LONDON (BUDAPEST TELEGRAM NO 209) PRESUMABLY PUT AT REST WHEN HE SAW GORBACHEV IN SEPTEMBER.

7. KADAR WENT ON TO REFER TO HIS RESPECT FOR THE PRIME MINISTER. HE WAS GLAD THAT SHE HAD ENJOYED HER VISIT TO HUNGARY. HE FELT THAT HIS TALK WITH HER HAD MADE A SERIOUS AND RESPONSIBLE CONTRIBUTION. HE ADDED THAT COLLEAGUES HAD RIBBED HIM, SAYING THAT HER PROGRAMME HERE HAD SHOWN THAT SHE WAS NOT THE NEGATIVE IRON LADY WHICH THE HUNGARIAN MEDIA HAD SUGGESTED.

8. THE WHOLE CONVERSATION WAS VERY INSUBSTANTIAL. BUT I THINK KADAR'S AIM IN HAVING ME IN WAS TO SHOW HIS COMMITMENT TO THE VISIT AND THE WARMTH OF HIS FEELINGS TOWARDS THE PRIME MINISTER. THE CALL WAS INTERESTING<sup>ER</sup> LESS FOR WHAT WAS SAID THAN BECAUSE IT TOOK PLACE AT ALL.

9. SEE MIFT FOR SCENE-SETTER.

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PS/LADY YOUNG

PS/MR RIFKIND

PS/MR BENTON

PS/POS.

MR DEREK THOMAS

SIE WARDING,

MR FERCUSSON.

MR GODDALL

MR SAMUEL

MR DABUT

MR DAVID THOMAS.

MR LONG.

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cc Mrs Ryder

10 DOWNING STREET

*From the Private Secretary*

7 October 1985

VISIT OF MR. KADAR

Thank you for your letter of 7 October.

It is a pity that the Hungarians have turned down the more imaginative programme suggestions. The Prime Minister found that it was precisely such events which made her own visit to Hungary interesting and worthwhile. She feels that it would add greatly to the sympathy and interest with which Mr. Kadar is received here if he were to take up one or two of the ideas we have put forward. You will want to consider whether there is mileage in conveying this to the Hungarians as the Prime Minister's considered view.

We shall make the proposed press announcement shortly. Our Press section will be in touch with News Department about the precise timing.

I am sure that the Prime Minister will want a Minister of State to meet Mr. Kadar on arrival if no Cabinet Minister is available.

I agree with what is proposed on the agenda for the talks, participation and interpretation.

Can you please obtain two or three interesting chess sets for the Prime Minister to choose from on 14 or 15 October.

CHARLES POWELL

Colin Budd, Esq.,  
Foreign and Commonwealth Office.

do



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cc/rc

Foreign and Commonwealth Office

London SW1A 2AH

7 October 1985

Dear Charles,

Visit of Mr Kadar: 31 October-2 November

The Hungarians have confirmed that Mr Kadar will visit the UK from 31 October to 2 November. The programme is now being planned in detail and a draft outline is attached. The Hungarians have turned down a number of our suggestions, such as a visit to J Sainsbury to see Hungarian goods on sale, a football match, and an evening entertainment. This explains the somewhat routine nature of the draft programme. I should be grateful for your advice on the following points.

Press Announcement

The Hungarians will not announce the visit until a few days beforehand. They have no objection to our making an announcement earlier. As there is already considerable press interest in the visit, I suggest that the official announcement should be made as soon as possible. I enclose a draft.

Arrival and Greeter

Mr Kadar plans to arrive by private plane at 1110 on Thursday 31 October. As there will be a Cabinet Meeting the same morning, it will not be possible for the Foreign Secretary to greet Mr Kadar personally, although he will be represented by a special greeter.

Delegation

The members of Mr Kadar's delegation will be Mr Varkonyi, the Foreign Minister, Dr Banyasz, Head of the Government Information Department (and former Ambassador in London), Mr Kovacs, a member of the International Department of Central Committee, and Mr Melega, Deputy Minister for Foreign Trade.

Talks

The Prime Minister has agreed to talks with Mr Kadar from 1630-1830 on Thursday 31 October. For this occasion the Foreign Secretary suggests that the main subjects would be East/West relations and arms control, economic issues, and bilateral relations. For such a discussion it would normally be

/appropriate





appropriate for Foreign Ministers, Ambassadors and one official  
a side to be present.

#### Interpretation

Mr Kadar will bring two interpreters, which should be adequate. If you would like an interpreter on our side, I would propose that it should be a member of the Foreign Office, rather than an outside interpreter whose Hungarian origins might unsettle Mr Kadar.

#### Speech at Dinner

The Prime Minister is giving a dinner for Mr Kadar on Thursday 31 October. We will submit a draft speech shortly lasting about 10 minutes. We would aim to arrange for the speech, and Mr Kadar's reply, to be translated and distributed before the dinner in order to avoid the need for translation.

#### Gifts

Although we try to discourage the exchange of gifts, Mr Kadar will almost certainly bring a gift for the Prime Minister, probably of Herend porcelain. If the Prime Minister wishes to give Mr Kadar a present in return, we suggest a chess set (he is a keen player).

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street



VISIT OF MR KÁDÁR, GENERAL SECRETARY OF THE CENTRAL  
COMMITTEE OF THE HUNGARIAN SOCIALIST WORKERS PARTY:  
31 OCTOBER - 2 NOVEMBER

OUTLINE PROGRAMME

Thursday 31 October

- 1110 Arrive in London by private plane.  
Stay at the Hyde Park Hotel. Lunch  
at hotel.
- 1430 - 1600 Sightseeing tour of London, including  
call on the Lord Mayor.
- 1630 - 1830 Talks with the Prime Minister, the Rt  
Hon Margaret Thatcher, MP, at 10  
Downing Street.
- Return to hotel
- 1945 for 2000 Dinner given by the Prime Minister

Friday 1 November

- 0930 Call on the Speaker at the Palace of  
Westminster



Meeting with Leaders of the Opposition  
Parties at the Palace of Westminster.

1005 The Rt Hon Neil Kinnock, MP

1050 The Rt Hon David Steel MP

1115 The Rt Hon David Owen MP

1145 - 1245 Meeting with the Secretary of State  
for Foreign & Commonwealth Affairs,  
the Rt Hon Sir Geoffrey Howe QC, MP,  
Foreign & Commonwealth Office.

1300 for 1315 Lunch hosted by the Secretary of  
State for Foreign & Commonwealth  
Affairs, at Lancaster House.

1530 Meeting with leading businessmen/  
industrialists arranged by the CBI  
at Centre Point.

1700 Press conference.

1800 Meeting with the Secretary-General of  
the Communist Party.



1900

Mr Kádár to meet members of the  
Hungarian Community. Dinner given by  
HE Dr Matyas Domokos at the Embassy.

Saturday 2 November

am

Fly to Scotland. Visit a factory or  
industrial project. Lunch in  
Edinburgh Castle.

1500

Return to Budapest by private plane  
from Edinburgh.

E63AAT



JÁNOS KÁDÀR (KAA-DAA-R)

General Secretary of the Central Committee of the Hungarian Socialist Workers' Party. Member of the Political Committee: Member of the Presidential Council: Member of the National Assembly.

Born 1912. Apprenticed as a toolmaker and imprisoned several times for Communist activities. In 1942 he became a member of the Central Committee. Arrested by the Germans in 1944, but escaped. In 1945 he organised the Budapest Party and became its Deputy First Secretary. In 1948 he was elected to the Politburo and subsequently became Minister of the Interior. In 1950 he gave up his Ministerial post to concentrate on Party work but in April 1951 he was arrested, and charged with espionage, treason and Titoism. After being brutally treated in prison, he was released in 1954 and although not completely rehabilitated filled various minor Party posts.

After the fall of Rakosi in July 1956, Kádàr was re-elected to the Politburo and gave his support to the Nagy Government. At first he appeared to support the Hungarian Revolution but then broke with Nagy, apparently over the question of Hungarian neutrality and withdrawal from the Warsaw Pact, and fled to the Soviet Embassy. Soon after he set up a Soviet-backed Government, at first on Soviet territory.

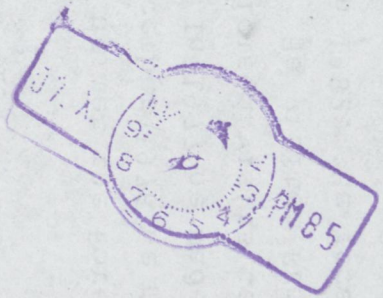
By early 1957 he was indisputably head of the new regime as First Secretary, and (until 1958) Prime Minister. A visit by Khrushchev in April 1958 confirmed his position. He resumed the post of Prime Minister from 1961 to 1964. In 1972 he presided over a compromise between the reformist and conservative groups in the Party. In September 1974 he led a high level Party and Government delegation in Moscow. In



July 1975 he met the Foreign Secretary, Mr James Callaghan, and in December 1976 he made a highly successful visit to Austria. In 1977 he made further successful and well-publicised visits to West Germany, Italy (and the Vatican). He visited France in 1978 and revisited West Germany in 1982. He received Lord Carrington in 1980 and Sir Geoffrey Howe in September 1983. In July 1983, he made an important visit to Moscow, where Mr Andropov (who had been Ambassador for the USSR to Hungary in 1955-57) appeared to have given his endorsement of current Hungarian policies. He also visited Warsaw, Prague and East Berlin in quick succession in the autumn/winter of 1983.

In February 1984 he received the Prime Minister on a visit to Hungary; and, in the same year, received the Prime Minister of Italy and the FRG Chancellor, and visited France.









C/A JA

10 DOWNING STREET

*From the Private Secretary*

16 September 1985

**VISIT OF MR KADAR**

Thank you for your letter of 16 September about the timing of the talks with Mr Kadar. We have now put these in the diary for 1630-1830 on 31 October.

C.D. POWELL

C. R. Budd, Esq.,





Foreign and Commonwealth Office

London SW1A 2AH

16 September 1985

*Dear Charles,*

Visit of Mr Kadar

The Prime Minister has agreed to see Mr Kadar for talks from 1830-1930 on Thursday 31 October, followed by dinner at 1945 for 2000. The Hungarians have expressed considerable disappointment that there will be only one hour for talks, given that the Prime Minister's talks with Mr Kadar in Budapest lasted 2½ hours. They have stressed that he wishes to have a thorough exchange of views and regards their talks as the real purpose for coming to London.

I should be grateful to know whether it would be possible to extend the talks to two hours (in effect one hour with interpretation). The ideal timing would be to start the talks at 1600 or before, allowing time for Mr Kadar to return to his hotel to rest before dinner.

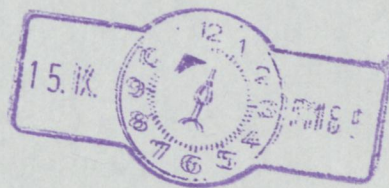
*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street









VRPM  
CDP  
10/4.

Treasury Chambers, Parliament Street, SW1P 3AG

L Appleyard Esq  
PS/Foreign Secretary  
Foreign and Commonwealth Office  
Downing Street  
London SW1

17 April 1985

Dear her

**CHIEF SECRETARY'S VISIT TO HUNGARY:**  
**9 - 11 APRIL**

The Chief Secretary reported the main points to emerge from his visit to Hungary in his minute of 15 April to the Prime Minister. You may however find it helpful to have the enclosed detailed record of the Chief Secretary's discussions in Hungary.

I am copying this letter to Mark Addison (No. 10), John Mogg and Steve Nicklen (Industry and Trade), Mike Reidy (Energy) and to Phil Compton (Bank of England).

Yours sincerely  
Richard Broadbent

R J BROADBENT  
Private Secretary





NOTE OF DISCUSSIONS HELD ON 9 AND 10 APRIL  
DURING THE CHIEF SECRETARY'S VISIT TO HUNGARY

9.00am Tuesday, 9 April:

Mr Peter Veress - Minister for Foreign Trade

After opening courtesies, Mr Veress gave his view of Hungary's latest trade position. Trade with Britain showed modest but steady progress despite fluctuations in the exchange rate. Exports to Britain were higher particularly following the successful Hungary Today Exhibition. Hungarian statistics showed that imports from Britain were also higher but overall the trade gap was smaller and the situation was promising.

2 The strict controls on imports necessary between 1982 and 1984 were being relaxed. Hungary wished to encourage investment and it recognised that this would mean increasing imports of machinery. COMECON as a whole was moving away from central planning of technological development and each country was seeking to specialise in areas where it felt it had particular aptitudes. For Hungary, in addition to agriculture, this meant concentrating on micro-electronics, robotics, chemicals and pharmaceuticals. Hungary would welcome inward investment in these areas. Mr Veress criticised the provisions of the COCOM agreement which he said created a restrictive atmosphere, diminished confidence and reduced willingness to trade well beyond the areas in which the agreement was meant to apply.

3 Mr Veress explained that the recent Party Congress had endorsed the next 5 year plan which provided a framework within which individual Hungarian corporations could plan and negotiate projects with foreign countries. He hoped



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that British companies would seek out opportunities and be persistent in pursuing them. Hungary was bound to remain short of hard currency for the next 5 years and with the best will in the world this could lead to problems in individual cases. Mr Veress hoped that British firms could consider novel means of financing projects such as joint venture companies.

4 In answer to a question from the Chief Secretary, Mr Veress confirmed that the Hungarian Government did not favour counter trade. Nevertheless, given the shortage of hard currency, when a contract went out to competitive tender abroad and similar tenders were received, the possibility of counter trade was likely to be decisive. In these circumstances, it was often the tendering companies rather than Hungary which first raised the possibility. But opportunities for counter trade would not be allowed to override commercial considerations in considering tenders.

5 Discussing general trends in Hungarian industry, Mr Veress identified energy as a major problem. The USSR would remain a major supplier but Hungary would require increasing amounts of foreign currency and export goods to pay for it. For this reason, the next 5 year plan projected an increase in Hungarian coal production. Hungarian steel production was likely to fall, reflecting lower demand and over capacity in the industry. Light industry, particularly textiles and shoes were planned to increase largely with the Russian export market in mind. Chemicals and fertilizer output were other areas where a significant increase in output was planned. In endorsing the next 5 year plan, the Party Congress had emphasised the need for increased efficiency in industrial production.

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6 In discussion of relations with the EC, Mr Veress said that Hungary has made its position clear. It was disappointed that the EC was apparently unprepared to pay a tiny economic price to allow Hungary to further its economic development. The Hungarian Government doubted the political will of the EC to reach an agreement. It had formed the impression that whatever approach it adopted, the EC would raise difficulties about Hungary's state industries. Hungary's political situation meant that an agreement had to give substantive advantages to Hungary to make it worth signing. There was no evidence that these advantages would be forthcoming and Hungary was not therefore planning any further initiatives. The Chief Secretary noted Mr Veress' views and suggested that any process of negotiation was bound to take time and require movement on both sides. With the installation of a new Commission in Brussels an opportunity might exist for Hungary to put forward new ideas.

10.00am Tuesday, 9 April:

State Secretary Banyasz

7 Mr Banyasz began by explaining his position within the Government. He was the Government's chief spokesman with a seat in the Cabinet. He ran a small office (about 60 people) which performed two main functions. First, it informed the people about the activities of Government, the problems they face and how they were trying to tackle them. Second, it appointed editors and oversaw the administration of Hungary's Press, made up of about 1,710 publications of which around half were state owned.

8 Mr Banyasz went on to emphasise that the Hungarian Government believed honesty was the best and only policy in its relations with the Press. Once Editors had been

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appointed, they exercised complete editorial freedom. He often met editors and made suggestions as to what they should cover. But the final decision rested with the editors themselves outside particularly sensitive areas (of which he instanced the health of Society Leaders).

9 He had recently taken to holding Press Conferences which were an innovation in Hungary. He had held two in recent weeks and planned to hold a third on 16 April, for foreign journalists. These Press conferences were being held in the run up to general elections on 8 June where, for the first time, it would be obligatory to have two or more candidates in each constituency. He thought this was an important step making it easier to unseat incumbents. It was being matched by efforts to increase the role of Parliament by encouraging more discussions and promoting more initiatives from within it.

10 In response to a question from the Chief Secretary, Mr Banyasz agreed that the young tended to be underrepresented in these activities. He did not however believe this was due to cynicism. The problem was as much one of limited time and the young particularly had to work hard, often holding two jobs. They preferred to use their spare time for other than political activities. Hungary was largely free of social problems such as drug abuse.

11 Mr Banyasz agreed that there was inevitably a tension between the pursuit of efficiency in the economy and the social goal of equality. He did not however believe the tension was irreconcilable. It was a matter of emphasis, from time to time, and the recent Party Congress had stressed clearly that the first priority at present was efficiency. The resulting inequalities were criticised and at times resented. But a clear consensus remained about the need to pursue efficiency. The Government took steps to ensure that the most disadvantaged sections of the population, such as the aged, were given a measure of protection.

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12.00 noon Tuesday, 9 April:

Finance Minister Hetenyi

12 After opening courtesies, Mr Hetenyi described the background to Hungary's budget for the current year which had recently been approved by the Party Congress. The Hungarian economy faced two main problems. First, foreign exchange. Second, the state budget had to generate a surplus because the corporate sector was not generating sufficient to finance investment. This contrasted with the position in the personal sector where considerable surpluses were being generated but there was no effective tax system to allow the Government to take part of the benefit of these.

13 The latest Budget forecast income of £600 billion Forints and expenditure of 603.5 Fts - a deficit of 3.5 Fts or 1/3% of GDP. The State's income was predominately from state owned companies (80 per cent) and only 15 per cent from other corporate bodies and 5 per cent from individuals, including farmers. This reflected a very high tax on profits - 35 per cent nationally plus 15 per cent local taxes plus a tax equivalent to 40 per cent of the wage bill towards the cost of social security provision. There was no personal income tax and a very low sales tax on consumer goods - a maximum of 7 per cent.

14 An important theme of the recent Party Congress had been to improve efficiency through allowing greater incentives to be given to maximise performance. The tax system would need to be brought up to date to match these reforms. In particular, some sort of personal income tax would have to be considered and Mr Hetenyi hoped to raise the proportion of income raised from sales tax over the next three to four years. One innovation it was planned to introduce in the coming year was to separate the State and local Budgets. Of total income of 600 billion Fts, 480 Fts were attributable to national taxes and 520 Fts to local taxes.

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15 Another recent innovation had been the authorisation of bonds for state firms and co-operatives. It was possible for an individual to issue a bond but since bonds were guaranteed by the State the bond issue would need a State permit. The bond market was at a very early stage. It was an experiment and further development would depend on how it performed. 700 million Fts worth of bonds were issued in the previous year (compared to 22 billion Fts lent by banks for investment). The State determined the rate of interest on bonds. Bond rates were currently up to 2 per cent higher than the maximum interest rate paid by national savings accounts (9 per cent).

16 Mr Hetenyi also referred to subsidies and price control as another area where he hoped for early developments. 30 per cent of prices were controlled in Hungary compared with nearly a 100 per cent only a few years ago. The Hungarian Government believed that price controls were necessary on the social grounds in some fields, such as housing. But elsewhere it wished to end subsidies and price controls wherever possible.

3.15pm Tuesday, 9 April:

Deputy Prime Minister Marjai

17 Mr Marjai began by discussing the outcome of the recent Party Congress. He went to some lengths to emphasise that the outcome had been as expected. Economic reforms would continue and at about the pace expected. Nevertheless, the next few years would be difficult ones and the Government tended to present the outlook in optimistic light in order to give the people, whose main interest was in their standard of living, a degree of hope. In fact, the Government did

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not see any significant improvement in standards of living for 2 - 3 years. And since the Government intended to allow differentials to increase, a significant part of the population would see their position stagnating or even worsening. Such a redistribution was however essential if performance was to improve and efficiency to increase. Any surplus generated by improved performance would have to be used to improve the position of the reserves and to finance essential technological imports. These problems were foreseen in the Plan but popular aspirations made it inevitable that it would be difficult to secure all its goals.

18 The gainers from this policy were the entrepreneurs who were prepared to work long hours or take up new opportunities. There was also a speculative element which was not significant in absolute terms but politically was very sensitive. The policy led to major problems with pensioners, often on fixed incomes, who had been hit very hard. The Government was taking some steps to protect them but the adjustment was inevitably proving painful.

19 Mr Marjai saw a pressing need for a system of personal income taxes in Hungary in the near future.

20 Mr Marjai referred in the search for greater efficiency to the need for Government to withdraw altogether from some areas of commercial life. The Government had threatened for years not to support indefinitely poor performers in industry. Recently it had carried out this threat and ceased to support a number of companies which had subsequently gone bankrupt leaving creditors partially unpaid. This had created considerable comment but the Government intended to persist in its new policy.

21 In discussion of the EC, Mr Marjai emphasised at length the disappointment Hungary felt at the apparent intransigent position of the EC. Detailed preliminary discussions had

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led to a statement of the Hungarian position which, taking into account the relative strengths and weaknesses of the Hungarian and EC economies was entirely reasonable. The economic cost to the EC would have been miniscule and the benefits to Hungary no more than their due following Hungary's accession to GATT. Yet the Commission had thrown up endless difficulties, referring to Hungary's position as "maximalist" and suggesting that Hungary's socialist system made any progress difficult. Member States did not do more than mouth Commission arguments and Hungary was bound to conclude that the political will for an agreement did not exist within the EC. Hungary regarded the latest statement of its position as entirely reasonable and did not propose to change it. It was considering whether to make its position and that of the EC public in order to explain within its own country why there had been no progress in the discussions.

5.30pm Tuesday, 9 April:

Mr Timar, President of the National Bank

22 After opening courtesies, Mr Timar gave his views on Hungary's latest financial position.

23 The position in Hungary was much improved since 1982 when the liquidity crisis was at its peak. Although it was not apparent then, 1982 represented the worst point in a situation which was largely due to factors beyond Hungary's control. Hungary was grateful for the understanding shown by British banks during those difficult times. Hungary had been able to conclude acceptance agreements with British banks during 1982 which had proved invaluable.

24 Since 1982, Hungary had joined the IMF and the World Bank. The reserves had been replenished to some extent in 1983 and 1984 and \$6.7 billion of foreign debt had been repaid. The aim was to continue repayments of

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foreign debt, with a further \$3 billion being repaid in the coming year. This target was being stuck to despite the cold winter which had led to increased fuel imports.

25 Mr Timar emphasised that this improvement had only been achieved through drastic measures including severe cut backs in investment and in standards of living. In short the classical recipe had been applied and thus far had produced results. But these cut backs could not be continued indefinitely.

26 For the future, he looked forward to a very slight increase in standards of living and in investment which was essential to underpin further economic growth. The process of economic reform would continue steadily. In the financial field, Hungary was moving towards a two level banking system. About 12 new banks had been founded to provide finance for small and medium sized firms and he wished this process to continue. One possibility in a year or two was to separate credit branches from the National Bank and to move towards more commercial banks which, with greater use of existing banking instruments, would prove more flexible in regrouping capital.

27 Mr Timar said that he would welcome greater activity from British companies in Hungary. In particular he would welcome the import of working capital which joint ventures and other inward investment would bring. He would be prepared to accept equity participation in joint ventures and he gave as one example the Central European Bank in which Hungary held 34 per cent of the equity with 6 foreign holders holding 11 per cent each. The bank was highly profitable and remitted its profits abroad. He acknowledged that this was a special case in that the bank transacted business solely in currency exchange and outside Hungary's borders. Nevertheless there were possibilities to set up equity joint partnerships. Siemens of West Germany

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had just started such a venture.

9.00am Wednesday, 10 April:

Party Secretary Szuros

28 Mr Szuros said that the recent Party Congress had endorsed Hungary's foreign policy unchanged. Hungary was a member of the Warsaw Pact Group and it attached great importance to its relations with the Eastern Bloc. But it regarded dialouge with everyone on the basis of mutual respect as important. The open and strategic position of Hungary meant it inevitably attached importance to maintaining dialogue and strengthening peace and security throughout Europe and beyond.

29 Mr Szuros was glad therefore to see the gradual development of Hungary's relations with Britain. He saw no reason why the pace of development could not be accelerated. Hungary was open to further contacts in the political, cultural, and economic fields, particularly the latter which at present was bound to be the priority of the Hungarian Government. The Hungarian Government believed that its trade policy, based upon increasing bilateral and multilateral contacts (including GATT, the IMF and the World Bank) was of mutual benefit to all participants. He emphasised that the situation within Hungary was stable and that contacts made now could be relied upon in the future.

30 The Party Congress had clearlt endorsed the economic reforms being pursued by the Hungarian Government. It was essential to seek great efficiency in the economy since a small country like Hungary could only survive by promoting the international division of labour and then excelling in its chosen field. To take part in this process Hungary would have to become more efficient and the Government's policies were aimed at making the Hungarian economy increasingly able to integrate within an international division of labour. There were some dissenting voices

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within the Congress but those opposed were isolated and without support. Overall there was a strong consensus in support of the government's policies.

31 In discussion of Mr Gorbachev's recent speech on economy and foreign relations in Moscow, Mr Szuros emphasised that it was the tone of Mr Gorbachev's statement that was important and that Britain should not respond too hastily to particular proposals. He stressed that a genuine change was underway and that there was more to follow. He referred particularly to the link made by Gorbachev between the poor performance of the Russian economy and foreign affairs, particularly arms control. The USSR was a huge country and not an easy one to change. It was worth taking notice of a new tone in Government since change could be far reaching once underway.

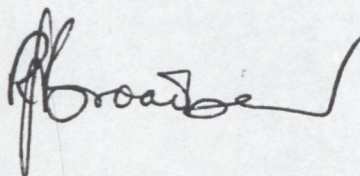
32 Mr Szuros stressed that the Eastern Bloc States were interdependent and were bound to remain so for the foreseeable future. Nevertheless, the eastern states wished to work for co-operation not confrontation because of the disastrous consequences which might follow from the latter. The eastern and western countries followed different systems, but neither was particularly right or superior compared to the other. In terms of arms, there was an approximate balance of forces and refinement beyond this was an over elaboration. Hungary subscribed to the proposal that European states without nuclear weapons should not accept nuclear weapons on their soil; and those with nuclear weapons should accept no more. Hungary would also support any proposal for the simultaneous abolition of NATO and the Warsaw Pact.

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33 In a brief discussion of relations with the EC Mr Szuros said that it was disappointing that Hungary had been treated as any other country might have been, with no appreciation of the political innovation of its approach to the EC. But he did not believe that Hungary would be rigid on this issue and some change in its position could not be ruled out.



R J BROADBENT  
Private Secretary

CONFIDENTIAL



18 APR 1985

18 M.





CPA  
②



FROM: CHIEF SECRETARY  
DATE: 15 April 1985

no

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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Foreign and Commonwealth Office

London SW1A 2AH

From the Secretary of State

13 March 1985

*OPC*  
1. Charles Powell  
2. Cordelia Hyde  
*CP*

Dear Charles,

Visit to Britain by Mr Kadar

Although the Hungarians have yet to confirm the exact dates on which Mr Kadar will arrive and leave London, the Ambassador confirmed during Mr Varkonyi's visit that they were accepting the Prime Minister's invitation for 31 October. The other dates of 5 or 6 November, which had been pencilled in for possible talks with Kadar, are therefore now free.

The Hungarians themselves have already leaked the news of the visit to the press, and it has received some publicity. We see no need for a formal announcement until nearer the time, when a detailed programme has been agreed.

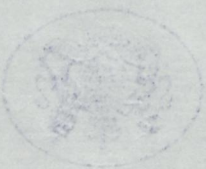
Yours ever,

Colin Budd

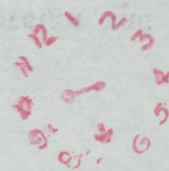
(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street





13 MAR 1965



COMMUNICATIONS OFFICE  
WASHINGTON, D.C.



SUBJECT  
re Master Set

CONFIDENTIAL



bcpc

10 DOWNING STREET

From the Private Secretary

7 March 1985

Dear Colin,

THE PRIME MINISTER'S MEETING WITH THE FOREIGN MINISTER  
OF HUNGARY ON THURSDAY 7 MARCH AT 0930 AT 10 DOWNING STREET

The Prime Minister received Mr. Varkonyi this morning. He was accompanied by the Hungarian Ambassador. Mr. Unwin, HM Ambassador Budapest, was also present.

Mr. Varkonyi conveyed greetings from Mr. Kadar and many leading members of the Hungarian Government and Party. He recalled the great impression made both on politicians and the public by the Prime Minister's visit to Hungary.

Mr. Kadar's Visit

The Prime Minister said she was delighted to hear that Mr. Kadar had accepted her invitation to visit the United Kingdom. She looked forward to a long talk with him. Mr. Varkonyi said that he had discussed dates at the end of October and the beginning of November with the Foreign Secretary and would confirm them after his return to Budapest.

Arms Control

The Prime Minister said that Mr. Kadar's visit would come at an opportune time and would enable her to assess with him the progress of the arms control negotiations in Geneva. It would be unrealistic to expect any early breakthrough in these. The issues were highly complex. As regards the Strategic Defence Initiative, there was a crucial distinction between research, which was permitted under the Anti-Ballistic Missile Treaty, and deployment which would have to be a matter for negotiation under that Treaty. The Prime Minister continued that she had discussed this aspect very carefully with President Reagan at Camp David in December and again during her recent visit to Washington. He had specifically accepted that deployment would have to be a matter for negotiation and had said as much in his own press conference in Washington on 20 February. It was natural, indeed essential, that the United States should carry on with its research into ballistic missile defence. The facts were that the Soviet

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Union already had an anti-satellite capability; that it had conducted prolonged and successful research on lasers and pulse beams; and had upgraded its ABM defence round Moscow.

Mr. Varkonyi said that he well understood the British Government's position. His only concern was that permitting research might be used as an excuse for avoiding negotiation of an agreement banning weapons in space. He feared this issue could be a complication in the Geneva talks. The Prime Minister said that this was the so-called "hostage" scenario under which agreements would be reached for significant reductions in strategic and theatre nuclear weapons which would be made hostage to an agreement banning weapons in space. Mr. Varkonyi said that he did not think such a scenario was likely (but gave no reason for his assessment). The Prime Minister continued that President Reagan had a vision of being able to rid the world of nuclear weapons. In her view this was not realistic. The deterrence provided by nuclear weapons had kept the peace for an unprecedentedly long period and would remain essential for the foreseeable future. She did not think it was technically feasible ever to achieve a leak-proof defence against nuclear-armed ballistic missiles. Moreover, even if nuclear weapons were abolished, there would be a rush to re-acquire them in any future conflict.

#### EC/Hungary

The Prime Minister said that she understood that Mr. Marjai was still demanding too much of the European Community and that negotiations were stalled. Mr. Varkonyi said that he had warned Mr. Marjai that the Prime Minister would say as much. Mr. Marjai's response had been that Hungary was only asking for its rights. Mr. Varkonyi acknowledged that negotiations were at present blocked but said that they would be followed up. Hungary greatly appreciated the support which it had received from the United Kingdom.

#### Hungarian Economy

The Prime Minister said that she understood there was to be a Party Congress in Hungary soon. Mr. Varkonyi confirmed this. The Conference will open on 25 March and last four days. The main report would be delivered by Mr. Kadar and would focus on the economy which was the main concern. Hungary's foreign policy and support for dialogue was clear and would not be an issue. The economic prospects were now brighter and 1985 offered Hungary the prospect of emerging from several years of stagnation. Most importantly, it should be possible to increase investment which would provide an impetus for the whole economy. It should also be possible to stop the decline in real wages. The main priority would be to achieve balance in Hungary's international payments. Within this there could be scope to increase imports. He had discussed the trade prospects with Mr. Tebbit and hoped that new ways could be found of increasing trade between Britain and Hungary.



The Prime Minister said that she was glad to hear that things were going well. Mr. Varkonyi said that he would not go so far as to say that. But the Hungarian Government hoped to take a further step forward with economic reform and to extend democratic institutions, particularly through decentralisation.

Soviet Economy

The Prime Minister said that, from her talks with Mr. Gorbachev, she had got the impression that the Soviet Union was groping for economic reform and was showing some interest in the Hungarian model. Mr. Gorbachev had been clearly dissatisfied with the operation of the Soviet system whose basic failing was its rigidity. How did Mr. Varkonyi see the prospects for change? Mr. Varkonyi confirmed that there was interest in the Soviet Union in Hungary's experience. The problem was that Hungary had introduced reforms gradually over a period of 20 years while the Soviet Union did not have that amount of time. For instance, prices needed to be raised by as much as 40% if the economy was to be put on a sound footing. The Soviet leadership felt secure in the belief that it could control everything from the centre but the Hungarian Party had realised that this was simply not practicable. The Soviet leadership feared that if they introduced change they would not be able to control its pace. The result was that they were very cautious. The Prime Minister commented that the Soviet Union had a strong incentive to reduce spending on arms so that it could devote more resources to improving living standards.

The Prime Minister observed that Mr. Chernenko had looked very ill on television. The effect of allowing him to appear had been the opposite of that presumably intended: it had raised questions about his ability to carry on. Mr. Varkonyi shook his head and said lugubriously that it was most unfortunate.

I am copying this letter to Rachel Lomax (HM Treasury), Callum McCarthy (Department of Trade and Industry), Richard Mottram (Ministry of Defence) and Richard Hatfield (Cabinet Office).

*yes dear,*  
*Charles Powell*

CHARLES POWELL

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.



SUBJECT  
a Master Set

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bcpc

10 DOWNING STREET

*From the Private Secretary*

7 March 1985

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*yes sir,*  
*Charles Powell*

CHARLES POWELL

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.



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Foreign and Commonwealth Office

London SW1A 2AH

6 March 1985

Prime Minister

CDD  
6/3

mb

Dear Charles,

Visit to Britain by Mr Kadar

The Hungarian Foreign Minister, Mr Varkonyi, will as you know be calling on the Prime Minister at 0930 on 7 March.

Varkonyi has told the Foreign Secretary that Kadar is grateful for the Prime Minister's invitation, and will be happy to pay a two day visit between 31 October and 3 November.

He also raised with Mr Rifkind this afternoon the possibility of Kadar meeting Her Majesty The Queen (my letter of 6 March). Varkonyi did this diffidently, emphasising that Kadar had no great interest in protocol and ceremony. Mr Rifkind replied that we were looking forward to Mr Kadar's visit. He would of course be received at a high level and we would arrange a suitable programme for him. A meeting with The Queen however raised questions of Royal Protocol. In principle, The Queen received only Heads of State and Commonwealth Prime Ministers. Varkonyi immediately said that the Hungarians were not making a formal request, that they were not insistent, and that they left it entirely to us. We think it unlikely that he will return to this point.

In talking to the Press, Varkonyi has indicated that a visit by Kadar to Britain later this year is on the cards. This may mean that we shall need to make a formal announcement before long.

Yours ever,

Colin Budd

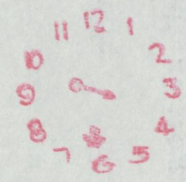
(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street

CONFIDENTIAL



- 6 MAR 1985





E.R.

PRIME MINISTER

MEETING WITH HUNGARIAN FOREIGN MINISTER, 7 MARCH

Mr. Varkonyi is coming for half-an-hour accompanied by his Ambassador here (a new one). You met Mr. Varkonyi in Budapest.

Subjects you will want to cover are:

- Mr. Kadar's visit.
- Outlook for arms control negotiations in Geneva. You will want to give him an account of your views on SDI.
- Prospects in Hungary. There is to be a Party Congress beginning on 12 March.
- The scope for increased trade.

He may raise the lack of progress in EC/Hungary negotiations. Hungarian demands are unreasonable: but the EC response - particularly from Italy - is unhelpful.

Record of your meeting with Mr. Szuros is in the folder.

*CDP.*

6 March, 1985





Foreign and Commonwealth Office

London SW1A 2AH

6 March 1985

CEP  
 2  
 Prime Minister  
 CDP  
 6/3

Dear Charles,

Visit to Britain by Mr Kadar

Thank you for your letter of 15 February about whether Mr Kadar could be included in a Palace occasion to enable him to meet The Queen without breaking precedent.

We have, as you suggested, consulted the Palace, and it does not seem possible for Kadar to see The Queen. The Palace say that each of their functions is for a specific purpose or theme, and that they would not normally include a visiting foreign dignitary, whose presence would be unconnected with that theme and would only serve to dilute it. It would not be practicable or welcome to the Palace to include Kadar in some occasion at the Palace already arranged for another purpose.

The numbers of non-Commonwealth Prime Ministers who have met The Queen when visiting Britain are very few: 6 out of 50 since 1972. The strong general rule is that The Queen does not see them. In protocol terms, Kadar is even further outside this very limited circle because he is not a Prime Minister. When Mrs Planinc, the Prime Minister and leading political figure in Yugoslavia, visited Britain in 1983 she had no contact with the Royal Family.

Although the Hungarian Foreign Minister will probably discuss the Kadar visit when he calls on the Prime Minister on 7 March, we think it unlikely that he will raise the question of a meeting with The Queen. So far it is only the Ambassador who has mentioned it informally and been given a discouraging reply. We would, however, plan to explain soon to the Ambassador, again informally, why a meeting will not be possible.

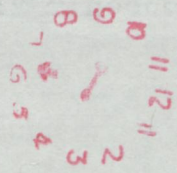
Yours ever,  
 Len Appleyard

(L V Appleyard)  
Private Secretary

C. D Powell Esq  
 10 Downing Street



HUNGARY: Relations: Pt 2.



FEB. MAR 1985



Dear [unclear]

[Faint handwritten text, possibly a signature or address]



VISIT OF HIS EXCELLENCY THE MINISTER FOR FOREIGN AFFAIRS  
AND MRS VÁRKONYI OF THE HUNGARIAN PEOPLE'S REPUBLIC  
5 MARCH 1985

Administrative Plan  
(to be read in conjunction with the printed programme)

Tuesday 5 March

Arrival

When the aircraft has landed a Representative of the British Airports Authority will escort the greeting party from the Hounslow Suite to the aircraft steps. The Hungarian Ambassador and Mrs Domokos will board the aircraft and accompany the Minister for Foreign Affairs and Mrs Várkonyi to the tarmac. They will be welcomed by the Special Representative of the Secretary of State, Sir Derek Dodson, who will present the following (in order):

Mr Peter Unwin	Her Majesty's Ambassador at Budapest
Brigadier Alan Cowan	Secretary, Government Hospitality
Group Captain Robert Thomson	Escort Officer, Government Hospitality
Mrs Patricia Beale	Escort Officer, Government Hospitality

Transport

Cars are provided by Government Hospitality throughout the visit and seating plans are shown at Appendix I.

Mrs Várkonyi will be accompanied by Mrs Domokos, Miss Süle and Mrs Patricia Beale throughout her programme.

His Excellency Dr Mátyás Domokos, Hungarian Ambassador to London, and Mr Peter Unwin, Her Majesty's Ambassador at Budapest, will accompany His Excellency Mr Várkonyi throughout his programme.



Participation by others in the Minister for Foreign Affairs programme will be as follows:

Tuesday 5 March

Dinner

Host: The Secretary of State and Lady Howe.

The following are also invited:

Mr S Hajnal  
Mr A Erdős  
Mrs L Ábri  
Miss Z Süle  
Dr J Kalanovics

Wednesday 6 March

Talks with the Secretary of State for Trade and Industry  
0945-1015:

Mr Hajnal  
Mr Erdős

Talks with the Secretary of State for Foreign and  
Commonwealth Affairs 1030

Mr Hajnal  
Mr Erdős  
Mrs Ábri  
Mr Kalanovics

Theatre party host: Mr and Mrs Malcolm Rifkind  
1915 for 1945

Mr Erdős  
Mr Hajnal  
Mrs Ábri  
Miss Süle

Thursday 7 March

Call on the Prime Minister  
0945: The Minister for Foreign Affairs will be accompanied  
by Dr Domokos only

*anne Morrison*  
(Mrs Anne Morrison)  
Protocol Department  
273 3585



CAR PLAN

Heathrow Airport to Hyde Park Hotel

Car 1      His Excellency Mr Várkonyi  
             His Excellency Dr Domokos  
             Special Branch Officer

Car 2      Mrs Várkonyi  
             Mrs Domokos  
             Miss Süle  
             Mrs Beale  
             Group Captain Thomson

Car 3      Mr Hajnal  
             Mr Erdös  
             Mrs Ábri  
             Mr Unwin

The above car plan will form the basis of the car allocation throughout the visit. It will be adjusted as necessary by Group Captain Thomson



DISTRIBUTION

10 Downing Street

Private Secretary (2)  
Press Office (2)  
Mr Joce (2)

Embassy of the Hungarian People's Republic (8)

Department of Trade and Industry

Private Secretary/Secretary of State for Trade (2)

Foreign and Commonwealth Office

Private Secretary (2)  
Private Secretary/Mr Rifkind (2)  
Private Secretary/PUS (1)  
Mr D Thomas (1)  
Mr M R H Jenkins (1)  
Mr D C A Madden (1)  
Mr Broomfield (1)  
Miss Page, EED (8)  
News Department (3)  
Resident Clerk (1)  
Protocol Department (4)  
Mr Unwin, Heads of Mission (1)  
Heads of Mission Section (1)  
Miss Lothian (1)

Government Hospitality Fund (15)



AC



Foreign and Commonwealth Office

London SW1A 2AH

4 March 1985

Dear Charles,

Visit of Hungarian Foreign Minister

I enclose a brief for the Prime Minister's meeting with Mr Peter Varkonyi at 0930 on Thursday 7 March. The Prime Minister met Mr Varkonyi in Budapest. He speaks English and will be accompanied by Mr Domokos, the Hungarian Ambassador, and Mr Unwin, HMA Budapest.

Yours ever,  
Colin Budd

(C R Budd)  
Private Secretary

C D Powell Esq  
10 Downing Street





CONFIDENTIAL

PRIME MINISTER'S MEETING WITH THE HUNGARIAN FOREIGN MINISTER:  
0930-1000 ON THURSDAY 7 MARCH

Our Objectives

- a) to promote the active high-level dialogue between UK and Hungary;
- b) to give the Hungarians discreet encouragement to speak up in their own interests;
- c) to improve prospects for Anglo-Hungarian trade.

Arguments

- a) Convinced from own direct knowledge of Reagan's sincerity in seeking improved relations and arms control agreements with the Soviet Union;
- b) important for all of us to promote this process;
- c) on SDI, spell out Camp David four points, developing argument in support of US research;
- d) underline overall aim of enhanced deterrence at lower level of armaments;
- e) present level of trade does not properly reflect the economic potential of the two countries.

Tactical Arguments

- a) Interested to hear more about Hungary's contribution to East/West relations. Do they seek greater elbow room in dealings with Moscow? Do they speak up on arms control and human rights within Warsaw Pact?
- b) UK has made constructive contribution to Hungary's economic progress. We helped during their financial crisis in 1982. The UK made a significant contribution to special loans from Western central banks (which prompted renewed commercial bank lending) and supported Hungary's successful bids for membership of the IMF and the World

/Bank

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Bank. Hungarians face long haul and UK will continue to play constructive rôle in IMF and World Bank. Hope this can be reflected in more active trading relationships and opportunities for British firms.

His Objectives

- a) To project Hungary as a significant and interesting country in her own right, while underlining that she is Communist and loyal to Warsaw Pact and CMEA;
- b) to probe for differences in Western alliance, eg on SDI;
- c) to stress significance of proposed Kadar visit.

Your Response

- a) Recognise Hungary's uniqueness but avoid giving impression of trying to create divisions in Warsaw Pact;
- b) underline NATO unity on essentials;
- c) welcome proposed visit by Kadar. Significant step. (If raised) Calls on HM The Queen strictly governed by Royal protocol. Heads of State and Commonwealth Prime Ministers only.

Press Line

1. Varkonyi visited Britain 5-7 March. Talks with Sir Geoffrey Howe and Mr Rifkind. Called on Prime Minister and Mr Tebbit.
2. Ministers stressed genuine desire of West to improve relations with East, and reach arms control agreements. Varkonyi shared Ministers' support for continued dialogue and contact.
3. Trade recognised as important area of bilateral cooperation. Both interested in developing.





### Background

1. Prime Minister met Varkonyi in Budapest in February 1984. Personality note attached.
2. Varkonyi will have talks with Secretary of State and Mr Rifkind on 6 March. Will call on Mr Tebbit on 6 March.
3. Link in important chain. Visits to Hungary by Secretary of State and Prime Minister in 1983 and 1984. Kadar invited in October/November (yet to agree dates).
4. Significant time. Outward visits by Secretary of State to 5 Eastern European countries in February/March. US/Soviet arms control talks 12 March. Hungarian Party Congress 25 March.



DR PÉTER VÁRKONYI

Minister for Foreign Affairs since July 1983. Member of the HSWP Central Committee.

Born 1931. A Party member since 1948. Originally a career diplomat. Having graduated at the Foreign Affairs Academy, he served in Washington (briefly - he was declared persona non grata in retaliation for Hungarian expulsion of an American diplomat), London and Cairo from 1951 to 1958 before becoming Head of the MFA Press Department. From 1961 to 1965 he worked at the Government Secretariat; from 1965 to 1969 in the Foreign Affairs Department of the Party, first as Kádár's private secretary, latterly as Deputy Head of Department. Promoted to Head of the Government Information Office in 1969. Editor-in-Chief of the Party daily Népszabadság from March 1980. Central Committee Secretary for Foreign Affairs from 1982 till his appointment as Foreign Minister in July 1983. Since then he has visited the USA, the FRG, Austria and Spain. He was host to Sir Geoffrey Howe when the latter visited Budapest in September 1983, and also met Mrs Thatcher during her visit in February 1984.

Várkonyi's rise to the top seems to have been due to Kádár's patronage. His move in 1983 from Party Secretary for Foreign Affairs to Foreign Minister was presented at the time as a move sideways, to a job which Várkonyi wanted. It now looks more like a demotion. Várkonyi has rather disappointed as Foreign Minister. Whilst his successor as Party Secretary for Foreign Affairs, Mátyás Szűrös, has shown himself innovative on foreign policy, Várkonyi has apparently confined himself to an executive role.

He is a cool, perhaps cold customer behind an affable exterior. He speaks excellent English, as does his wife, who is a jolly extrovert. He has a brother who is currently Hungarian Ambassador in Zimbabwe, and at least one son.



VISIT OF THE HUNGARIAN FOREIGN MINISTER, MR VARKONYI, TO BRITAIN :  
5-7 MARCH 1985

EC/HUNGARY (Defensive)

POINTS TO MAKE

1. Share your disappointment at lack of progress towards trade agreement with EC.
  - UK's approach consistently constructive: will play its part as and when Commission/Hungary contacts are renewed.
  - But Hungarians must recognise real problems will take time and effort on both sides to solve.
  
2. Recognise importance Hungary attaches to elimination of all quantitative restrictions (QRs).
  - But inflexibility on this makes it difficult for EC to be forthcoming in other areas.
  - Important to make pragmatic progress, as Prime Minister has stressed, and not get stuck in sterile philosophical argument on e.g. precise definition of state trader.
  
3. General feeling in EC that any agreement should contain a broad balance of economic advantage for both sides.
  - Understand Hungary feels it has not received benefits due from accession to GATT.
  - So does EC: some Hungarian practices still prevent EC getting full benefits from Hungary's accession.
  
4. (If Hungarians claim all other GATT partners have ended discrimination against them) Very few UK QRs for Hungary: could consider their elimination in the context of EC/Hungary agreement.
  - Cannot speak for partners, but have always encouraged them to be helpful towards Hungary.
  
5. (If Hungarians ask whether UK could not abandon QRs unilaterally) Modifications to import regime must be for the EC as a whole.



ESSENTIAL FACTS

1. Hungarian interest in a trade agreement with EC first raised in 1983.
  - UK has earned credit from Hungary for constructive approach within EC.
  
2. As well as concessions on tariffs and agriculture, Hungary claims elimination as of right of all quantitative restrictions (QRs), as a result of her accession to GATT.
  - Unacceptable to EC: Member States have already agreed considerable degree of liberalisation, but Hungary not a fully open trading market (CMEA preference, etc) and EC considers some QRs economically justified.
  
3. Marked hardening in Hungarian position at beginning of 1984: demanded to know full extent of concessions before starting negotiations, and repeated refusal to offer quid pro quo for liberalisation of QRs.
  - In letter to Prime Minister in April 1984, Deputy Prime Minister Marjai reiterated maximalist demands. In her reply Prime Minister stressed pragmatic and flexible approach.
  
4. Little progress in subsequent talks: partners (for some of whom - e.g. Italy - QRs of much greater significance than for UK) disinclined to make more forthcoming offers until Hungarians show flexibility.
  - Official contacts have lapsed.
  - Recent signs that Hungarians retain interest in an agreement, and may propose resumption of negotiations on more realistic basis: but as yet no formal overtures.

European Community Department (External)  
27 February 1985



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RR MOSCOW

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MY TELNO 46 : HUNGARIAN FOREIGN MINISTER'S VISIT TO LONDON.

SUMMARY

1. VARKONYI HAS TOLD ME HE LOOKS FORWARD TO HIS VISIT. HE WELCOMED YOUR CONTACTS WITH EASTERN EUROPEAN FOREIGN MINISTERS. HE PROFESSED CONCERN ABOUT SDI AND THE PRIME MINISTER'S SUPPORT FOR SDI RESEARCH IN PARTICULAR. HE DEVOTED A DISPROPORTIONATE AMOUNT OF TIME TO EC/HUNGARY, WITHOUT BREAKING NEW GROUND. HE EXPECTED TO BE ABLE TO CONFIRM THAT KADAR WILL VISIT LONDON AROUND THE TIME WE HAVE PROPOSED.

DETAIL

2. THE VARKONYI'S CAME TO DINNER ON 1 MARCH. AS AGREED IN BURCH'S LETTER OF 22 FEBRUARY, HE SPOKE SERIOUSLY ABOUT OUR HOPES FOR ANGLO-HUNGARIAN RELATIONS. HE STRESSED THE SERIOUSNESS OF OUR INTEREST IN CENTRAL AND EASTERN EUROPE. WE HOPED THAT WE COULD PUT MORE SUBSTANCE INTO OUR IMPROVING BILATERAL RELATIONS AND APPROACH A TOTALLY NORMAL RELATIONSHIP. VARKONYI SAID THAT HE AGREED BUT OFFERED NOTHING CONCRETE IN HIS REPLY.

3. TALKING PRIVATELY AFTERWARDS VARKONYI STRESSED HOW MUCH HE WELCOMED YOUR CURRENT CONTACTS WITH THE EAST EUROPEAN FOREIGN MINISTERS. BEFORE LONG YOU WOULD KNOW THEM BETTER THAN HE DID. HE HOPED YOU FOUND THEM REASONABLE PEOPLE TO DO BUSINESS WITH.

4. VARKONYI ASKED WHETHER THERE HAD BEEN A CHANGE IN THE PRIME MINISTER'S THINKING ON SDI SINCE GORBACHEV'S VISIT TO LONDON. IN PARTICULAR, WAS THE PROSPECT OF TECHNOLOGICAL TRANSFERS HER MAIN MOTIVE IN SUPPORTING SDI RESEARCH? HE SAID THERE WAS NO CHANGE. WE ATTACHED GREAT IMPORTANCE TO THE DISTINCTION BETWEEN RESEARCH, WHICH WAS VALUABLE IN ITSELF AND JUSTIFIED BY SOVIET DEVELOPMENTS, AND DEPLOYMENT. IT WAS A PITY THAT THE EASTERN SIDE TRIED TO BLUR THIS DISTINCTION.

5. VARKONYI SAID THAT NONETHELESS RESEARCH WAS PROFOUNDLY WORRYING. IT WOULD FURTHER COMPLICATE THE GENEVA TALKS AND PROVIDE A READY EXCUSE FOR ANY AMERICAN HAWKS WHO WANTED TO DELAY PROGRESS INDEFINITELY. AND THERE COULD BE NO PROGRESS ON THE INTERMEDIATE AND STRATEGIC TALKS WITHOUT PROGRESS ON SPACE. I THOUGHT VARKONYI'S LINE A MIXTURE OF WEDGE DRIVING AND GENUINE



INTERMEDIATE AND STRATEGIC TALKS WITHOUT PROGRESS ON SPACE.  
I THOUGHT VARKONYI'S LINE A MIXTURE OF WEDGE DRIVING AND GENUINE CONCERN.

6. WE TALKED ABOUT BETTER EAST-WEST CONTACTS OUTSIDE THE ARMS CONTROL FIELD AND GOT ON TO HUNGARY AND THE COMMUNITY. VARKONYI REPLAYED THE RECORD THAT HUNGARY WAS ONLY ASKING FOR GATT RIGHTS UNDER GATT AND FAIR TREATMENT. HE FEARED THAT THE TEN WERE INTERESTED ONLY IN THE POLITICS OF THE SUBJECT. BUT HUNGARY HAD TAKEN RISKS IN APPROACHING THE COMMUNITY. IT HAD BEEN AND WAS BEING CRITICISED BY ITS ALLIES. IT WOULD HAVE NO ANSWER TO THAT CRITICISM IF IT ACCEPTED AN AGREEMENT AS HOLLOW AS THE ROMANIAN. HUNGARY DID NOT HAVE TO HAVE AS FAVOURABLE AN AGREEMENT AS AUSTRIA (AND HERE I THINK VARKONYI HAD IN MIND A LOOSE IDEA OF AUSTRO-HUNGARIAN COMPARISONS, NOT THE DETAILS OF A FREE TRADE AGREEMENT) BUT IT NEEDED ECONOMIC SUBSTANCE TO SHOW ITS NEIGHBOURS.

7. I SAID THAT THIS WAS THE OLD MAXIMALIST HUNGARIAN POSITION. WHATEVER THEIR GATT RIGHTS, THE HUNGARIANS COULD NOT SERIOUSLY HOPE TO SUCCEED IN A NEGOTIATION WITH THE COMMUNITY IN WHICH THEY SOUGHT CONCESSIONS OF ECONOMIC SUBSTANCE AND OFFERED IN RETURN NOTHING EXCEPT THEIR POLITICAL GESTURE OF APPROACHING US. I QUOTED KADAR ON HUNGARY'S PREFERENCE FOR TRADING WITH THE CMEA OR THIRD WORLD COUNTRIES, TURNING TO THE WEST ONLY WHEN IT HAD TO. TO WESTERN EARS THAT WAS STRAIGHT DISCRIMINATION. VARKONYI SAID HE TOOK THE POINT. BUT KADAR HAD BEEN TALKING FOR EASTERN, NOT WESTERN EARS. WE SHOULD LOOK INSTEAD TO THE FACT THAT HALF OF HUNGARY'S EXTERNAL TRADE WAS WITH THE CAPITALIST WORLD. IF THEY WERE TO CONTINUE TO ADVANCE THEY HAD TO PUSH THE WESTERN SHARE EVEN HIGHER.

8. VARKONYI SAID THAT HE DID NOT EXPECT TO DEVOTE MUCH TIME TO THIS SUBJECT IN LONDON. BUT IF IT CAME UP THERE WOULD BE NO CHANGE IN THE HUNGARIAN POSITION. WE SHALL SEE. THE FACT REMAINS THAT IN TALKING WITH ME VARKONYI DEVOTED A SURPRISING AMOUNT OF TIME TO THE SUBJECT.

9. VARKONYI SAID THAT HE EXPECTED TO BE IN A POSITION TO TALK TO YOU ABOUT DATES FOR KADAR'S PROPOSED VISIT. HE MADE NO REFERENCE TO THE POSSIBILITY OF KADAR BEING SUMMONED TO MOSCOW (BIRCH'S LETTER OF 19 FEBRUARY) AND SEEMED TO ENVIAGE A VISIT IN LATE OCTOBER OR EARLY NOVEMBER AS WE HAD SUGGESTED. HE ALSO SEEMED TO BE HINTING THAT KADAR WAS WORRIED ABOUT THE ABSENCE OF A WRITTEN INVITATION. I SAID THIS WAS SURELY NOT A POINT OF SUBSTANCE: THE PRIME MINISTER WAS INVITING KADAR ON BEHALF OF HER MAJESTY'S GOVERNMENT. VARKONYI SEEMED TO ACCEPT THAT. I HINTED THAT, PARTICULARLY WITH A VISIT AROUND THE LATE OCTOBER-EARLY NOVEMBER ANNIVERSARY, THERE MIGHT BE CRITICISM. VARKONYI POOH-POOHED THIS: THE BRITISH WERE VERY PRACTICAL PEOPLE.

10. SEE MIFT, NOT TO ALL.

11. ADVANCE COPIES TO PRIVATE SECRETARY, THOMAS, AND BIRCH EED.

FCO PLEASE PASS TO SAVING ADDRESSEES.  
UNWIN



MR POWELL

Yes, but no-one else

CDP  
28/2

ENQUIRY FROM COLIN BUDD

Could the Hungarian Ambassador, plus our Ambassador to Hungary, attend the meeting with the Hungarian Foreign Minister on 7 March?

Relayed to FCO

Dmb

Dmb  
28/2

26 February 1985



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JR(31)  
bapc



10 DOWNING STREET

*From the Private Secretary*

15 February 1985

VISIT TO BRITAIN BY KADAR

Thank you for your letter of 14 February about the potentially difficult problem of whether Kadar should be received by The Queen if he comes to Britain later this year.

The Prime Minister agrees that this is a very delicate matter and is concerned by the risk that Kadar may feel snubbed and decide not to come if he is not received by The Queen. Before reaching a decision on the matter, the Prime Minister would like more thought to be given to the possibility of, for instance, including Kadar in some Palace occasion such as a reception or luncheon, or any other means to enable him to meet The Queen without breaking precedent.

Handwritten initials, possibly 'APC', written vertically on the left margin.

I should be grateful if you could consider this further and perhaps discuss it informally with the Palace and subsequently let me have a further recommendation for the Prime Minister.

(C. D. POWELL)

C.R. Budd, Esq.,  
Foreign and Commonwealth Office.

Handwritten initials 'SMH' in the bottom right corner.



020

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*Handwritten initials and a circled 'D'*



Foreign and Commonwealth Office

London SW1A 2AH

14 February 1985

*Prime Minister  
Agree that it  
would not be right  
for the Queen to see Kadar?*

*CDP 14/2 - is very difficult.  
He may not  
come. Would  
it be  
possible  
to include  
him in  
some Palace  
reception  
no*

Dear Charles,

Visit to Britain by Kadar

The Prime Minister has invited Kadar to visit Britain as the guest of the British Government. We have proposed dates in late October/early November to the Hungarians, and hope to have a reply shortly. The Hungarian Ambassador has asked, on a "personal basis", whether Kadar will have an audience with The Queen. This is a potentially difficult problem, and the Foreign Secretary would like the Prime Minister to be aware of how we propose to respond.

Kadar is the First Secretary of the Hungarian Socialist Workers' Party and does not hold any State or Government function apart from membership of the Presidential Council. There are no precedents for a visit to the UK by an East European Party leader in this position.

The Queen normally receives only Heads of State and Commonwealth Prime Ministers and very occasionally a foreign Prime Minister, if she is about to visit his country (eg Portugal). This is not an invariable rule. In 1956 The Queen saw the Soviet Prime Minister Bulganin, and Khrushchev, who was then General Secretary of the CPSU. But we were then in the post-Stalinist honeymoon, before the invasion of Hungary. On visits to the West since then Kadar has been received by some Presidents, but their position is not comparable to that of a constitutional monarch.

In our view a visit by Kadar to Britain must be seen as a political one, for talks between leaders of different systems, and placed in the context of East/West relations. Kadar himself is still regarded by many Hungarians as the person who betrayed the 1956 Revolution and handed the country back to the Russians. The internal repression that followed 1956 was severe. Kadar has gradually climbed back to a position of some esteem and popularity in Hungary but he is nevertheless a controversial figure and the sight of him being received at Buckingham Palace would, we think, suggest that too much had been forgotten and forgiven. The dates are likely to coincide with the anniversary of the Soviet action in 1956. In these circumstances it would be wrong to contemplate involving The Queen, even if the protocol aspect could be overcome.

.../The

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The Hungarians are, of course, well aware that Ceausescu visited Britain in 1978 for a State Visit. The difference of treatment may well rankle, although Ceausescu was of course a head of state and Kadar is not. We therefore think it would be wise to let the Hungarians know at an early stage that since Mr Kadar will be the guest of the Prime Minister and the British Government and is not a Head of State, the question of an audience with The Queen would not be appropriate in protocol terms. If the Prime Minister agrees we propose to speak accordingly to the Hungarians, before the idea gets any more steam behind it.

*Yours ever,*

*Colin Budd*

(C R Budd)  
Private Secretary

C D Powell Esq  
No 10 Downing Street

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14 FEB 1985

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I have offered the FCO three dates for the official visit by Mr. Kadar of Hungary. The dates are 31 October and 4 and 5 November.

CR

Caroline Ryder  
23 January 1985





WJ  
cc: PC  
cc: DS

10 DOWNING STREET

*From the Private Secretary*

18 January, 1985

POSSIBLE VISIT TO BRITAIN BY MR. KADAR

Thank you for your letter of 16 January about the possibility of an invitation to Mr. Kadar to visit Britain.

The Prime Minister agrees that Mr. Kadar should be invited to pay a visit to Britain in the Autumn and that the invitation should be issued by her on behalf of the Government. I should be grateful if you could discuss possible dates with Caroline Ryder or David Barclay.

(C.D. Powell)

L. Appleyard, Esq.,  
Foreign and Commonwealth Office.

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①  
CP



Foreign and Commonwealth Office

London SW1A 2AH

Prime Minister  
Agree that Mr. Kadar  
should be invited this  
autumn, & the  
invitation issued in  
your name?

16 January 1985

Dear Charles, CDP 17/1

Yes Mr

Possible Visit to Britain by Mr Kadar

The Prime Minister will recall that when she saw Mr Szuros, the Secretary of the Central Committee of the Hungarian Socialist Workers' Party, on 30 October 1984, she said that she hoped that one day Mr Kadar might come to Britain.

As Mr Rifkind has already told the Prime Minister, the Hungarian Ambassador told him informally on 15 January that if Mr Kadar received an invitation he would be very happy to visit Britain this year or at a later date.

Following the Prime Minister's own visit to Hungary a year ago and the Foreign Secretary's proposed visits to Eastern Europe this spring, it would be appropriate to receive an East European leader in London, perhaps in the autumn. Mr Kadar is the obvious choice and his visit could play a significant part in the East/West dialogue. He has visited Paris and Bonn but not been elsewhere in the West. The Foreign Secretary hopes therefore that the Prime Minister can agree to this informal proposal by the Hungarians and that some possible dates can be offered. Since Mr Kadar, though First Secretary of the Party, holds no government position, Sir Geoffrey suggests that the invitation should be issued by the Prime Minister on behalf of the British Government.

Yours ever,  
Len Appleyard

(L V Appleyard)  
Private Secretary

C D Powell Esq  
10 Downing Street

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16 JAN 1985

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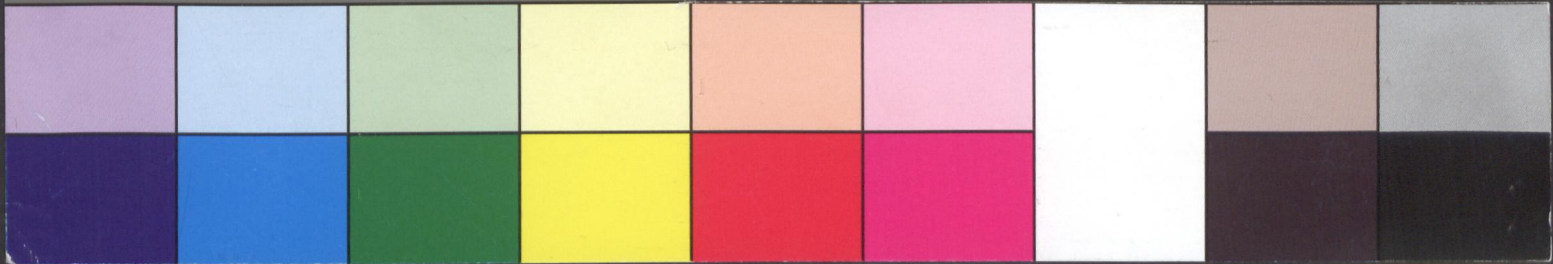
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# Colour Chart #13

Blue Cyan Green Yellow



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Grey Scale #13

