

Confidential Filing

Prime Minister's visit to Czechoslovakia,
Hungary and Switzerland

16 - 23 September 1990

Folder ① Fzo briefing

Folder ② Booklets/ Ciba-Geigy brief

FOREIGN POLICY

August 1990

Referred to	Date	Referred to	Date	Referred to	Date	Referred to	Date
20.8.90							
25.9.90							

PREM 19/2994

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

COVERING RESTRICTED

C D Powell Esq
Private Secretary to the
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Prime Minister
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11 October 1990

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Dear Charles,

PRIME MINISTER'S VISIT TO CZECHOSLOVAKIA: FOLLOW UP

The report of the Prime Minister's call on 18 September on the Prime Minister of the Slovak Republic, Dr Meciar, mentioned that she had agreed to arrange for a group of British business people to go there. In this context you will wish to know that we are now working with the London Chamber of Commerce and Industry to mount a business mission commencing in Prague on 26 November and then moving down to Bratislava in Slovakia. This mission was actually planned before the Prime Minister's discussions in Slovakia but with the impetus given by these and some help from this Department it should now be possible to ensure a better turnout of businessmen, including some emphasis on management consultancy.

Yours ever,

Philip Bennett

PHILIP BENNETT
Assistant Private Secretary

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FM BERNE

TO PRIORITY FCO

TELNO 166

OF 250830Z SEPTEMBER 90

AND TO PRIORITY INFO UKREP BRUSSELS, HELSINKI, OSLO, VINNA, STOCKHOLM
REYKJAVIK.

THE PRIME MINISTER'S VISIT TO SWITZERLAND, 20-21 SEPTEMBER

SUMMARY

1. HIGHLY SUCCESSFUL VISIT. INTENSIVE DISCUSSIONS ON EUROPE AND THE GULF WITH SWISS GOVERNMENT. USEFUL CONTACTS WITH PRIVATE SECTOR./FOLLOW UP.

DETAIL

2. THE PRIME MINISTER AND MR THATCHER VISITED SWITZERLAND ON 20 AND 21 SEPTEMBER, THE FIRST EVER OFFICIAL VISIT HERE BY A BRITISH PRIME MINISTER IN OFFICE. THE FIRST DAY WAS INEVITABLY SPENT ON OFFICIAL TALKS IN BERNE WITH FEDERAL PRESIDENT KOLLER AND FOUR MORE OF HIS SIX COLLEAGUES IN THE FEDERAL COUNCIL, A PRESS CONFERENCE, AND SOCIAL ENAGEMENTS.

3. THE OFFICIAL TALKS CONCENTRATED ON THE GULF AND EUROPEAN INTEGRATION WITH PARTICULAR REFERENCE TO THE EC/EFTA NEGOTIATIONS. THE PRIME MINISTER EXPOUNDED BRITISH VIEWS ON BROADER EUROPEAN ARCHITECTURE. SHE EXPRESSED BRITISH INTEREST IN THE EEA NEGOTIATIONS AND TOOK NOTE OF CONCERNS EXPRESSED BY FEDERAL COUNCILLOR DELAMURAZ, THE CURRENT EFTA CHAIRMAN, THAT THE COMMISSION HAD TOUGHENED THEIR LINE WITH EFTA, GOING BACK ON EARLIER IDEAS ON DECISION-MAKING, AND FAILING TO GIVE THE EC-EFTA TALKS DUE ATTENTION. SHE HOPED THE SWISS WOULD DECIDE TO JOIN THE EEA WHERE WE BELEIVED THEY HAD AN IMPORTANT CONTRIBUTION TO MAKE. ON THE GULF, THE PRIME MINISTER SUMMARISED THE WAY AHEAD. THE SWISS AGREED ON THE NEED TO APPLY SANCTIONS ROBUSTLY. THEY WERE CONCERNED THAT THE CRISIS MIGHT BE SEEN AS AN ANTI-ARAB CONFRONTATION. THEY DESCRIBED THEIR OWN CONTRIBUTIONS TO REFUGEE RELIEF IN JORDAN. OVER LUNCH, MR FELBER ASKED FOR SUPPORT FOR SWISS ACCESSION TO THE IMF. THE PRIME MINISTER ASSURED HER HOSTS THAT THE UK WAS WHOLEHEARTEDLY IN FAVOUR.

4. THE SECOND DAY INCLUDED A VISIT TO CIBA GEIGY AT BASLE SEMI-COLON LUNCH IN ZURICH WITH THE CITY AND CANTONAL AUTHORITIES SEMI-COLON A

DISCUSSION MEETING WITH THE LEADING INDUSTRIALISTS' ORGANISATION (VORORT) SEMI-COLON AND A VISIT TO A TEXTILE FACTORY AT ZIEGELBRUCKE IN THE CANTON OF GLARUS. CIBA GEIGY PRODUCED AN IMPRESSIVE BRIEFING ON THEIR LONG-TERM RESEARCH AND ENVIRONMENTAL PHILOSOPHY AND A TOUR OF MEDICAL RESEARCH LABORATORIES AND PRODUCTION FACILITIES. THE VORART TALKS - THOUGH THEY INCLUDED MANY PROMINENT NAMES FROM SWISS INDUSTRY AND COMMERCE - WERE TOO SHORT TO ALLOW FOR A THOROUGH EXCHANGE OF VIEWS. THE FACTORY VISIT SHOWED HOW A MEDIUM SIZED SWISS COMPANY HAS BEEN ABLE TO THRIVE AGAINST INTERNATIONAL COMPETITION BY USING ADVANCED TECHNOLOGY TO OFFSET HIGH SWISS LABOUR COSTS.

5. THE PRIME MINISTER AND MR THATCHER STAYED ON IN SWITZERLAND PRIVATELY FOR THE WEEKEND. A PRIVATE LUNCH ON 22 SEPTEMBER WITH A FEW TOP PRIVATE SECTOR LEADERS PRODUCED A VALUABLE DISCUSSION ON WORLD ECONOMIC PROSPECTS AND THEIR ENVIRONMENTAL IMPLICATIONS.

6. MEDIA COVERAGE (REPORTED SEPARATELY) WAS EXTENSIVE AND FAVOURABLE. THE PUBLIC RESPONSE TO THE VISIT WAS EBULLIENT BY NORMAL SWISS STANDARDS, PARTICULARLY AT CIBA GEIGY AND IN ZURICH AND ZIEGELBRUCKE.

ASSESSMENT

7. THE PROGRAMME WAS INTENSIVE. BUT THE SWISS DID THEIR BEST TO MAKE IT AGREEABLE. I WAS DELIGHTED THAT THE PRIME MINISTER SO CLEARLY ENJOYED IT. THE SWISS THOUGHT VERY HIGHLY OF THE PRIME MINISTER BEFORE SHE CAME: HER VISIT REINFORCED THIS VIEW. THE FEDERAL COUNCIL PARTICULARLY WELCOMED THE FACT THAT SHE TOOK THEIR CONCERNS SERIOUSLY AND VALUED HER ADVICE ON EUROPEAN INTEGRATION. IN RETURN THEY REASSURED HER OF THEIR SUPPORT FOR A STAUNCH LINE WITH IRAQ AND MADE CLEAR THEIR INTEREST IN PLAYING A MORE ACTIVE PART IN TACKLING INTERNATIONAL PROBLEMS.

8. I HOPE WE CAN KEEP UP THE MOMENTUM OF BILATERAL EXCHANGES. THE PRIME MINISTER HAS ALREADY AGREED TO SEE MR DELAMURAZ IN LONDON ON 29 OCTOBER. IT IS EXCELLENT NEWS THAT MR GAREL JONES CAN COME HERE IN THE SPRING, AND THAT THE TRH THE PRINCE AND PRINCESS OF WALES WILL ATTEND THE SEPTCENTENARY CELEBRATIONS IN SEPTEMBER 1991.

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MEETING RECORD
SUBJECT CC MASTER

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File from
cc/k

10 DOWNING STREET . .

LONDON SW1A 2AA

From the Private Secretary

25 September 1990

MEETING WITH THE PRIME MINISTER OF THE SLOVAK REPUBLIC

The Prime Minister had a meeting with the Prime Minister of the Slovak Republic in Bratislava on 18 September. The following record of their talk has been compiled by the Embassy.

After greeting the Prime Minister, Dr. Meciar asked what the reasons were for Britain's success. The Prime Minister replied that the Government had known what they wanted to do, said what they wanted to do and stuck to it. In order to attain long term political goals, difficult things needed to be done in the short term. But people could survive great hardships if they could clearly see the way to improvement. Her other advice was always to support the Minister of Finance: and to reduce the role of Government.

The Prime Minister continued that she was in Czechoslovakia to see at first hand what the important problems were. The shadow of Munich had prevented an earlier visit. The overthrow of the Communist government by the people, which she emphasised could not have been done without Mr. Gorbachev, had now made it the right time to come. Moving together with other democratic countries, Czechoslovakia now needed to make a free economy work. In this process three important steps were:

- membership of the IMF and World Bank, and overseas assistance such as Know How Funds.
- membership of the Council of Europe.
- an Association Agreement with the EC, with the understanding that an application for full membership would be made once the economy was in good shape.

Also of importance were visits of all kinds, by academics, businessmen, children etc, and the training of people for the future.

The Prime Minister said that Britain's success, and that of other important industrial nations, had been built on the development of small businesses. People with energy and vitality had started things up and had grown to become captains of industry, providing employment for many and creating

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opportunities for other small businesses to supply them. Czechoslovakia did not have recent experience of small business. Communism destroyed initiative and the sense of responsibility and replaced them with envy. It was important, in order to enable small businesses to get started and flourish, to have a system of administration free of bureaucratic controls, allowing businessmen to operate with little more than planning permission, letting them employ whom they liked and find their own markets.

Dr. Meciár said that the country faced a number of practical problems. Industry needed to be restructured, in particular the armaments and heavy engineering industries needed to be run down. They were not looking for loans, but the interest of western companies. This had been shown by some from the Far East, Germany and France. But a delegation of British businessmen would also be very welcome. Czechoslovakia had much to offer. They knew the Soviet and Hungarian markets well and could provide a good base for companies, including British banks, who wanted to deal with these countries. They also had a pool of educated and talented young people, whose university training could not be used in the present conditions. Dr. Meciár would welcome opportunities for them to work in British companies. The Prime Minister replied that the British Council could help the young people. She would arrange for a group of business people to come out to show what they were good at. But they would want to see an end to bureaucracy and laws on banking, contracts etc in place, before making any commitments.

Dr. Meciár ended by assuring the Prime Minister that in spite of what some people were saying, Czechoslovakia would remain a federal state.

We shall need to follow up the Prime Minister's commitment to arrange a delegation of businessmen to Slovakia. The Prime Minister would like DTI to put forward a proposal.

I am copying this letter to John Gieve (H.M. Treasury), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

C. D. POWELL

Richard Gozney, Esq.,
Foreign and Commonwealth Office.

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OF 241245Z SEPTEMBER 90

FOLLOWING FORCHARLES POWELL, 10 DOWNING STREET
FROM.....ALBERT GUNDERSEN

FOLLOWING IS DRAFT RECORD OF PRIME MINISTER'S CALL ON
DR VLADIMIR MECIAR, PRIME MINISTER OF THE SLOVAK REPUBLIC
18 SEPTEMBER 1990

1. AFTER GREETING THE PRIME MINISTER, DR MECIAR ASKED
WHAT THE REASONS WERE FOR BRITAIN'S SUCCESS. THE PRIME
MINISTER REPLIED THAT ~~HER~~ GOVERNMENT HAD KNOWN WHAT THEY
WANTED TO DO, SAID WHAT THEY WANTED TO DO AND STUCK TO IT.
IN ORDER TO ATTAIN LONG TERM POLITICAL GOALS SEMICOLON
DIFFICULT THINGS NEEDED TO BE DONE IN THE SHORT TERM.
BUT PEOPLE COULD SURVIVE GREAT HARDSHIPS IF THEY
COULD CLEARLY SEE THE WAY TO IMPROVEMENT. HER OTHER ADVICE WAS
ALWAYS TO SUPPORT THE MINISTER OF FINANCE; AND ~~REDUCE THE~~ TO
ROLE OF GOVERNMENT.

a re PM continued
2. ~~MRS THATCHER WENT ON TO SAY THAT SHE WAS IN~~
CZECHOSLOVAKIA TO SEE AT FIRST HAND WHAT THE IMPORTANT
PROBLEMS WERE. THE SHADOW OF MUNICH HAD PREVENTED AN
EARLIER VISIT. THE OVERTHROW OF THE COMMUNIST GOVERNMENT
BY THE PEOPLE, WHICH SHE EMPHASISED COULD NOT HAVE BEEN ~~MADE~~ *done*
WITHOUT MR GORBACHEV, HAD NOW MADE IT THE RIGHT TIME
TO COME. MOVING TOGETHER WITH OTHER DEMOCRATIC COUNTRIES,
CZECHOSLOVAKIA NOW NEEDED TO MAKE A FREE ECONOMY WORK.
IN THIS PROCESS THREE IMPORTANT STEPS WERE:-

- A. MEMBERSHIP OF THE IMF AND WORLD BANK, AND OVERSEAS ASSISTANCE SUCH AS KNOW HOW FUNDS.
- B. MEMBERSHIP OF THE COUNCIL OF EUROPE.
- C. AN ASSOCIATION AGREEMENT WITH THE EC, WITH THE UNDERSTANDING THAT AN APPLICATION FOR FULL MEMBERSHIP WOULD BE MADE ONCE THE ECONOMY WAS IN GOOD SHAPE.

ALSO OF IMPORTANCE WERE VISITS OF ALL KINDS, BY ACADEMICS,
BUSINESSMEN, CHILDREN ETC. AND THE TRAINING OF PEOPLE FOR
THE FUTURE.

3. THE PRIME MINISTER SAID THAT BRITISH SUCCESS, AND THAT
OF OTHER IMPORTANT INDUSTRIAL NATIONS, HAD BEEN BUILT
ON THE DEVELOPMENT OF SMALL BUSINESSES. PEOPLE WITH ENERGY
AND VITALITY HAD STARTED THINGS UP AND HAD GROWN TO
BECOME CAPTAINS OF INDUSTRY, PROVIDING EMPLOYMENT FOR MANY
AND CREATING OPPORTUNITIES FOR OTHER SMALL BUSINESS TO
SUPPLY THEM. CZECHOSLOVAKIA DID NOT HAVE EXPERIENCE OF
SMALL BUSINESS. COMMUNISM DESTROYED INITIATIVE AND THE
SENSE OF RESPONSIBILITY AND REPLACED THEM WITH ENVY. IT
WAS IMPORTANT IN ORDER TO ENABLE SMALL BUSINESSES TO GET
STARTED AND FLOURISH TO HAVE A SYSTEM OF ADMINISTRATION
FREE OF BUREAUCRATIC CONTROLS, ALLOWING BUSINESSMEN TO
OPERATE WITH LITTLE MORE THAN PLANNING PERMISSION, LETTING
THEM EMPLOY WHOM THEY LIKED AND FIND THEIR OWN MARKETS.

4. DR MECIAR SAID THAT THE COUNTRY FACED A NUMBER OF
PRACTICAL PROBLEMS. INDUSTRY NEEDED TO BE RESTRUCTURED,
IN PARTICULAR THE ARMAMENTS AND HEAVY ENGINEERING
INDUSTRIES NEEDED TO BE RUN DOWN. THEY WERE NOT LOOKING
FOR LOANS, BUT THE INTEREST OF WESTERN COMPANIES. THIS
HAD BEEN SHOWN BY SOME FROM THE FAR EAST, GERMANY AND
FRANCE. BUT A DELEGATION OF BRITISH BUSINESSMEN WOULD ALSO
BE VERY WELCOME. CZECHOSLOVAKIA HAD MUCH TO OFFER. THEY
KNEW THE SOVIET AND HUNGARIAN MARKETS WELL AND COULD PROVIDE
A GOOD BASE FOR COMPANIES, INCLUDING BRITISH BANKS, WHO
WANTED TO DEAL WITH THESE COUNTRIES. THEY ALSO HAD A POOL
OF EDUCATED AND TALENTED YOUNG PEOPLE, WHOSE UNIVERSITY
TRAINING COULD NOT BE USED IN THE PRESENT CONDITIONS.
DR MECIAR WOULD WELCOME OPPORTUNITIES FOR THEM TO WORK IN
BRITISH COMPANIES. ~~MRS THATCHER~~ REPLIED THAT THE BRITISH
COUNCIL COULD HELP THE YOUNG PEOPLE. SHE WOULD ARRANGE
FOR A GROUP OF BUSINESS PEOPLE TO COME OUT TO SHOW WHAT
THEY WERE GOOD AT. BUT THEY WOULD WANT TO SEE AN END TO
BUREAUCRACY AND LAWS ON BANKING, CONTRACTS ETC IN PLACE,
BEFORE MAKING MANY COMMITMENTS.

5. DR MECIAR ENDED BY ASSURING MRS THATCHER THAT IN
SPITE OF WHAT SOME PEOPLE WERE SAYING, CZECHOSLOVAKIA WOULD
REMAIN A FEDERAL STATE.

SIGNED.....ALBERT GUNDERSEN

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MEETING RECORD
SUBJECT CC MASTER



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10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

22 September 1990

Dear John.

WORLD ECONOMIC PROSPECTS

The Prime Minister had a private lunch in Switzerland on 22 September with eight leading Swiss bankers and industrialists. Their mood was generally gloomy. They expected interest rates to go higher worldwide, and to stay relatively high for a considerable period ahead, probably several years. They were worried in particular about the outlook for Japan, the likely steep decline in property values there and the effect on Japan's banks. They seemed less worried about the prospects for the United States: the Prime Minister was rather more inclined than they were to predict trouble there. The industrialists were critical of the quality of the assets held by the financial institutions and their consequent vulnerability. In contrast to earlier economic downturns, they thought that industry was in a stronger position than the financial institutions. The bankers were critical of the growth of the para-banking industry, which had snapped up the more attractive business because of relative lack of regulation, and had thus deprived the banks of opportunities for sound growth.

They were all pessimistic about the short-term economic consequences of German re-unification, thinking that the German Government had greatly under-estimated the likely costs of restoring the East German economy. The Ciba-Geigy Chairman said his company had done a survey of East Germany's chemical industry and reckoned that there was sustainable employment for only 35,000 in place of 350,000 at present. The consequences could only be managed by a massive programme of financing a new infrastructure, with the West German taxpayer bearing the costs. This would be another factor keeping up interest rates.

The other main points made were:

- the need for cost-effective environmental policies. Some countries were now setting totally unrealistic environmental standards;

- the need for Switzerland to draw closer to the EC. They were less inclined to regard neutrality as an obstacle than the undesirable centralising tendencies represented by Delors.

I retain two principal points from the Prime Minister's comments. First, the need to give absolute priority to bringing down inflation, and to resist pressure to reduce interest rates until that had been achieved. This met with universal approbation. Second, a warning to the financial institutions to get themselves sound pretty quickly: if there was a serious financial crash, they would find themselves faced with socialist governments and claims that capitalism did not work.

There was no mention - by anyone - of Britain joining the ERM.

I am copying this letter on the same personal basis to Stephen Wall.

you direct.
Charles Powell

CHARLES POWELL

John Gieve Esq
Treasury

personal

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TO IMMEDIATE FCO

TELNO 610

OF 211500Z SEPTEMBER 90

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INFO ROUTINE UKREP EC BRUSSELS, PARIS

~~PRIME MINISTER'S VISIT TO HUNGARY: HUNGARIAN PRESS COVERAGE~~

SUMMARY

1. FAVOURABLE AND FULL COVERAGE MEETS ALL OUR OBJECTIVES. MAIN POINTS: CLOSE RELATIONS WITH FELLOW CONSERVATIVE GOVERNMENT, BRITISH LESSONS FOR HUNGARY'S ECONOMIC RESTRUCTURING, PRIME MINISTER'S SUPPORT FOR EVENTUAL HUNGARIAN ACCESSION TO THE ECONOMIC COMMUNITY, VISA ABOLITION. OVERALL, THE MESSAGE WAS OF TWO PRIME MINISTERS AND TWO COUNTRIES WITH MUCH IN COMMON, AND OF A BRITAIN FULLY WILLING AND ABLE TO SUPPORT THE HUNGARIAN TRANSITION.

DETAIL

2. SEVERAL OF THE MAIN NATIONAL HUNGARIAN NEWSPAPERS SET THE SCENE WITH REFERENCES TO THE PRIME MINISTER'S EARLIER VISIT IN 1984. AS 'PESTI HIRLAP' PUT IT, IT 'IS CLEAR THAT BRITISH POLITICIANS NOW LOOK ON HUNGARIAN/BRITISH RELATIONS WITH NEW EYES'.

3. ON 19 SEPTEMBER ALL THE NATIONAL NEWSPAPERS PUBLISHED REPORTS ON THE PRIME MINISTER'S ARRIVAL, ONE COMMENTING ON HER 'EXTRA-ORDINARILY ELEGANT, DARK BLUE TWO-PIECE SUIT DECORATED WITH GOLD BUTTONS'. ALL DESCRIBED THE WELCOMING CEREMONIES AT KOSSUTH SQUARE AND HER FIRST MEETING WITH PRIME MINISTER ANTALL, THREE FEATURING FRONT PAGE PHOTOGRAPHS OF THE TWO PRIME MINISTERS. 'MAGYAR HIRLAP' FAVOURABLY REPORTED THE VISA ABOLITION BETWEEN THE UK AND HUNGARY AND SAID THAT THE PRIME MINISTER HAD STRESSED THE IMPORTANCE OF NOT ALLOWING THE DEBATE ON PROPERTY OWNERSHIP TO DRAG ON.

4. MOST PAPERS HAD COVERAGE OF THE TOASTS AT THE OFFICIAL DINNER. 'MAGYAR HIRLAP' AND NEPSZAVA' FEATURED THE PRIME MINISTER'S QUOTATION OF COUNT SZECHENYI'S REMARK THAT 'THE GERMANS WRITE A LOT, THE FRENCH TALK A LOT BUT THE ENGLISH DO A LOT.' THE TWO PRIME MINISTERS' UNITY OF VIEWS ON IRAQ WERE HIGHLIGHTED, AS WAS ANTALL'S PLEASURE AT THE VISA ABOLITION AGREEMENT. THE PRIME MINIS

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ER'S SUPPORT FOR HUNGARIAN ASPIRATIONS TOWARDS THE EUROPEAN COMMUNITY WAS ALSO HIGHLIGHTED. THERE WERE ADDITIONAL COMPLIMENTS ON THE PRIME MINISTER'S APPEARANCE.

5. ALL THE MAIN PAPERS CARRIED FRONT PAGE PHOTOGRAPHS OF THE PRIME MINISTER ON 20 SEPTEMBER. THEY REPORTED THE FURTHER MEETINGS WITH PRIME MINISTER ANTALL, THE CALL ON PRESIDENT GONCZ AND THE OTHER ENGAGEMENTS OF THE SECOND DAY. 'PESTI HIRLAP' REPORTED THE PRESIDENT'S INVITATION TO THE QUEEN TO VISIT HUNGARY. DURING THE PRIME MINISTER'S VISIT TO THE STOCK EXCHANGE, SHE HAD COMMENTED THAT 'IT WAS NOT QUITE LIKE A WESTERN STOCK EXCHANGE ... BUT WHAT WAS IMPORTANT WAS THAT IT HAD BEGUN TO OPERATE.' THERE WERE REFERENCES TO THE PRIME MINISTER BEING LOUDLY APPLAUDED DURING HER WALK THROUGH VOROSMARTY SQUARE.

6. THERE WAS EXTENSIVE COVERAGE OF THE JOINT PRESS CONFERENCE AT THE END OF THE VISIT. PRIME MINISTER ANTALL HAD DESCRIBED THE VISIT AS 'EXTRAORDINARILY USEFUL AND VALUABLE'. THE PRIME MINISTER HAD SAID THAT THE TWO GOVERNMENTS HAD VERY SIMILAR VIEWS ON MOST ISSUES. THE HUNGARIAN GOVERNMENT WAS 'THE ONLY GENUINE CENTRE-RIGHT GOVERNMENT IN EASTERN EUROPE'. THE DIFFERENCES BETWEEN THEM AND (OPPOSITION) ALLIANCE OF FREE DEMOCRATS WERE FAR LESS THAN THEIR SHARED OPPOSITION TO COMMUNISM. HUNGARY HAD THE PRIME MINISTER'S FULL SUPPORT IN ITS PLANS TO SIGN AN ASSOCIATION AGREEMENT WITH THE EUROPEAN COMMUNITY BEFORE 1 JANUARY 1992, AS A STEP TOWARDS EVENTUAL FULL MEMBERSHIP.

7. THERE WAS FULL RADIO AND TELEVISION COVERAGE THROUGHOUT. ON 19 SEPTEMBER THE PRIME MINISTER WAS ADDITIONALLY SHOWN ON TELEVISION SHAKING HANDS WITH THE NEW PRESIDENT OF HUNGARIAN TELEVISION, PRIOR TO THE REBROADCASTING OF THE BBC NATIONAL EVENING NEWS FOR THE FIRST TIME ON HUNGARIAN TELEVISION.

COMMENT

8. THERE WAS NO CRITICAL COMMENTARY AND THE OVERALL MESSAGE WAS OF STRONG BRITISH MORAL AND PRACTICAL SUPPORT FOR A FELLOW CENTRE/RIGHT GOVERNMENT, AND OF A CLOSE IDENTITY OF VIEWS ON THE THINGS THAT MATTER TO BOTH COUNTRIES.

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 INFO ROUTINE EAST EUROPEANS POSITIVE
 INFO ROUTINE UKREP EC BRUSSELS

PRIME MINISTER'S VISIT TO HUNGARY: HUNGARIAN PRESS COVERAGE

SUMMARY

1. FAVOURABLE AND FULL COVERAGE RECEIVED BY OUR OFFICIALS. MAIN POINTS: CLOSE RELATIONS WITH POLISH GOVERNMENT, BRITISH LESSONS FOR HUNGARY'S ECONOMIC RESTRUCTURING, PRIME MINISTER'S SUPPORT FOR EVENTUAL HUNGARIAN APPLICATION TO THE EUROPEAN COMMUNITY, VISA ABOLITION. OVERALL, THE MESSAGE WAS OF TWO PRIME MINISTERS AND TWO COUNTRIES WITH MUCH IN COMMON AND OF BRITAIN'S WILLINGNESS AND ABILITY TO SUPPORT THE HUNGARIAN TRANSITION.

DETAIL

2. SEVERAL OF THE MAIN NATIONAL DAILY PAPERS AND NEWS MAGAZINES WITH REFERENCES TO THE PRIME MINISTER'S VISIT. AS 'PESTI HIRLAP' PUT IT, IT WAS A GOOD OPPORTUNITY TO TAKE A LOOK ON HUNGARIAN/BRITISH RELATIONS.
3. ON 19 SEPTEMBER ALL THE NATIONAL NEWSPAPERS MENTIONED THE PRIME MINISTER'S ARRIVAL, ONE COMMENTING ON HER "EXTRA-ORDINARILY ELEGANT, DARK BLUE TWO-PIECE SUIT DECORATED WITH GOLD BUTTONS". ALL DESCRIBED THE WELCOMING CEREMONIES AND HER FIRST MEETING WITH PRIME MINISTER. FRONT PAGE PHOTOGRAPHS OF THE TWO PRIME MINISTERS. 'PESTI HIRLAP' FAVOURABLY REPORTED THE VISA ABOLITION DEAL BETWEEN HUNGARY AND SAID THAT THE PRIME MINISTER WAS IMPRESSED BY THE OF NOT ALLOWING THE DEBATE ON PROPERTY OWNERSHIP TO DRAG ON.
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ER'S SUPPORT FOR HUNGARIAN ASPIRATIONS TOWARDS THE EUROPEAN COMMUNITY WAS ALSO HIGHLIGHTED. THERE WERE ADDITIONAL COMPLIMENTS ON THE PRIME MINISTER'S APPEARANCE.

5. ~~ALL THE MAIN PAPERS CARRIED FRONT PAGE PHOTOGRAPHS OF THE PRIME MINISTER ON 20 SEPTEMBER.~~ THEY REPORTED THE FURTHER MEETINGS WITH PRIME MINISTER ANTALI, THE CALL ON PRESIDENT CONCA AND THE OTHER ENGAGEMENTS OF THE SECOND DAY. ~~"PESTI HIRDELLET" REPORTED THE PRESIDENT'S INVITATION TO THE QUEEN TO VISIT HUNGARY DURING THE PRIME MINISTER'S VISIT TO THE STOCK EXCHANGE, AND HAD COMMENTED THAT "IT WAS NOT QUITE LIKE A WESTERN STOCK EXCHANGE, BUT THE MOST IMPORTANT WAS THAT IT HAD BEGUN TO OPERATE."~~ THERE WERE REFERENCES TO THE PRIME MINISTER BEING LOUDLY APPLAUDED ~~BY THE~~ ~~AND~~ ~~IN~~ ~~THE~~ ~~NEAR~~ ~~VOROSMARTY SQUARE.~~

6. ~~THERE WAS EXTENSIVE COVERAGE OF THE JOINT PRESS CONFERENCE~~ AT THE END OF THE VISIT. PRIME MINISTER ANTALI HAD DESCRIBED THE VISIT AS "EXTRAORDINARILY USEFUL AND VALUABLE". THE PRIME MINISTER HAD SAID THAT THE TWO GOVERNMENTS HAD VERY SIMILAR VIEWS ON MOST ISSUES. THE HUNGARIAN GOVERNMENT WAS "THE ONLY CENTRE-RIGHT GOVERNMENT IN EASTERN EUROPE". THE DIFFERENCES BETWEEN THEM AND (OPPOSITION) ALLIANCE ~~IN~~ ~~PRICE~~ ~~REGULATE~~ ~~THE~~ ~~AND~~ ~~OTHER~~ ~~THEIR~~ ~~SHARED~~ ~~OPPOSITION~~ ~~TO~~ ~~COMMUNISM.~~ HUNGARY ~~WAS~~ ~~THE~~ ~~PRIME~~ ~~MINISTER'S~~ ~~FULL~~ ~~SUPPORT~~ ~~IN~~ ~~ITS~~ ~~PLANS~~ ~~TO~~ ~~SIGN~~ ~~AN~~ ~~ASSOCIATION~~ ~~MEMBERSHIP~~ ~~WITH~~ ~~THE~~ ~~EUROPEAN~~ ~~COMMUNITY~~ ~~BEFORE~~ ~~1~~ ~~JANUARY~~ ~~1992,~~ ~~AS~~ ~~A~~ ~~STEP~~ ~~TOWARDS~~ ~~EVENTUAL~~ ~~FULL~~ ~~MEMBERSHIP.~~

7. ~~THERE WAS FULL RADIO AND TELEVISION COVERAGE THROUGHOUT.~~ ON 20 SEPTEMBER THE PRIME MINISTER WAS ADDITIONALLY SHOWN ON TELEVISION SHAKING HANDS WITH THE NEW PRESIDENT OF HUNGARIAN TELEVISION, PRIOR TO THE REBROADCASTING OF THE BBC NATIONAL EVENING NEWS FOR THE FIRST TIME ON HUNGARIAN TELEVISION.

COMMENT

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MEETING RECORD

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SUBJECT CC MASTER



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

20 September 1990

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE PRESIDENT OF
THE SWISS CONFEDERATION

The Prime Minister had a talk with the President of the Swiss Confederation at the Maison de Watteville in Berne today. Mr. Koller was accompanied by a number of Federal Councillors, and Swiss officials (a full list is annexed). HM Ambassador in Berne was also present.

Europe

The President began by reading an extensive passage from the Prime Minister's Aspen speech dealing with Europe. Switzerland endorsed it one hundred per cent. They considered themselves very much part of Europe, indeed one of the countries most closely integrated into it. 70 per cent of their imports came from the EC and 60 per cent of their exports went there. They were host to 600,000 workers from other European countries. So there was nothing fundamental to hinder Switzerland from one day joining the European Community. But at this stage it made more sense for them to seek participation in the European Economic Area. This took account both of Switzerland's position as a neutral country and their traditions of direct democracy, which would be hard to reconcile with the European Community's institutions. He recognised that the context of Switzerland's neutrality was changing, and the country's participation in sanctions against Iraq was the first step in a new direction. But the Swiss people would not readily give up their neutrality while Europe lacked a new security structure.

The President continued that the EC/EFTA Treaty was therefore the best way forward for Switzerland. The first round of negotiations had taken place, but there was still a long way to go in order to achieve agreement. There were some difficult issues. The decision-taking procedure must ensure the full autonomy of individual countries. Far reaching adaptation of Swiss laws would be needed, some of them in politically sensitive areas. In common with other EFTA countries, Switzerland would

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want a voice in future EC directives: and they might have to seek exceptions in vital areas. This should not be unacceptable: after all, they were not negotiating for full membership. A final point was that the European Economic Area might offer a solution, or at least an interim solution, for Central and Eastern European countries wishing to join the Community in due course.

The Prime Minister said that we were very pleased to see Switzerland taking a more prominent part in both European and international affairs. Their support for sanctions against Iraq had been very welcome. We would give strong support to their application for IMF membership. Neutrality was not in itself a bar to membership either of the EEA or the EC. She noted that Switzerland's vision of Europe was very similar to our own. She believed that support for this was now gaining ground and the pure federalists were getting fewer. She could understand Switzerland's cautious approach, because there were undoubtedly problems for them in joining the EEA. The Commission was constantly trying to understand Community competence. Assumption of the Community acquis would inevitably present some difficulties. There was a trend in some Community countries towards protectionism, which was contrary to Swiss traditions. We wanted to see a Europe based on willing co-operation between sovereign states, with governments accountable to their national parliaments. We would vigorously oppose such concepts as the Social Charter or worker participation, where the Commission had no business to be trying to interfere in matters which properly belonged to the competence of member states. We wanted a larger Europe but not a more centralised or bureaucratic one.

The President said that he very much shared the Prime Minister's views and her attachment to the principle of subsidiarity. The sort of Europe which the Prime Minister had described was one with which Switzerland would feel comfortable. They would certainly not want to see the Commission's power further extended. Mr. Delamuraz said that the Community was taking an increasingly tough position in negotiations with EFTA. Originally M. Delors had talked of common decision-taking in the EEA framework: now there was no provision for EFTA to be involved in decisions at all. Nor was it feasible for EFTA's countries to absorb 30 years worth of EC legislation in two years. They would have to have some derogations. Another problem was that the Community seemed unable to concentrate on the negotiations with EFTA, being pre-occupied with its own internal problems and relations with Eastern Europe. This was rather discouraging for EFTA.

The Prime Minister said that she had some sympathy with these points, although EFTA had to remember that their 30m people were gaining access to a market of 300m. The decision was Switzerland's to take, and she thought they should proceed by drawing up a balance sheet of the pros and cons. For our part, we very much hoped they would decide to join the EEA, because we believed Switzerland had a most important contribution to make.

The Gulf

The Prime Minister gave an account of the origins of the present crisis and the way ahead. Our strategy was to persuade Saddam Hussain to withdraw through he pressure of sanctions, but we did not rule out the military option. People asked how long it would take for sanctions to work. She could not answer that question. We had to be ready for anything. Meanwhile the United States, Britain and other countries were building up their forces in order to be certain of winning, if force had to be used. At the same time it would be important to make progress with resolving the Arab/Israel dispute, to prevent Arab frustration growing.

Mr. Felber said that Switzerland agreed on all these points. Indeed Switzerland was sometimes accused of being tougher than other countries in applying sanctions. The point that concerned them most was that the conflict should not come to look like a confrontation between the West and the Arab countries. But on the fundamentals, Switzerland was absolutely firm: the resolutions of the United Nations Security Council had to be carried out fully, and there could be no negotiations before Iraqi withdrawal. The Swiss Governement had received an approach from the Iraqi Ambassador probing the possibility of Switzerland acting as a channel to convey messages. They were not averse in principle to undertaking such a role if the need arose. One conclusion they drew from the Iraqi approach was that sanctions were having an effect.

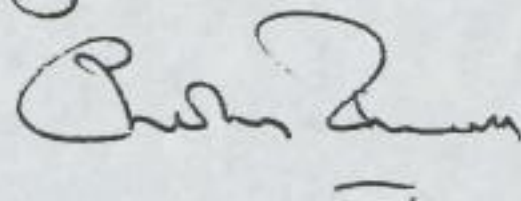
The Prime Minister commented that there was no question of the United Nations' action being a confrontation between the West and the Arab world. We should constantly remind people that the majority of the Arab League countries were opposed to Saddam Hussein. We should also emphasise our determination to make progress on the Arab/Israel front. The Prime Minister added that Secretary Brady had visited London to enlist financial help for countries like Turkey, Jordan and Egypt which were badly affected by sanctions. The United Kingdom would contribute substantially to this, as well as its military contribution, and we hoped others would do likewise. The President commented that Switzerland had decided on a programme of financial assistance towards refugee relief in Jordan.

IMF

The Prime Minister said that she and Mr. Felber had discussed Switzerland's application to join the IMF during lunch, and she understood that there was some concern about comments made by the United Kingdom representative to the IMF/IBRD. She wished to emphasise that we were whole-heartedly in favour of Switzerland's membership. There were problems over the size of the quota which Switzerland was seeking. There was nothing we could do directly to help over this. We had already given some of our quota to Japan and loaned more of it to France. But she would ask the Chancellor of the Exchequer and the Governor of the Bank of England to ensure that our representatives took a generally helpful and supportive line in any discussions of

Switzerland's application for membership, bearing in mind this constraint.

I am copying this letter to John Gieve (HM Treasury), Martin Stanley (Department of Trade and Industry), Paul Tucker (Bank of England) and Sonia Phippard (Cabinet Office).

Yours sincerely,


CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

SUISSE

Monsieur le Président de la Confédération Arnold KOLLER
Chef du Département fédéral de
justice et police

Monsieur le Conseiller fédéral Jean-Pascal DELAMURAZ (matin seulement)
Chef du Département fédéral de l'économie publique

Monsieur le Conseiller fédéral René FELBER
Chef du Département fédéral des affaires étrangères

Monsieur le Conseiller fédéral Adolf OGI (après-midi seulement)
Chef du Département fédéral des transports,
des communications et de l'énergie

Monsieur le Conseiller fédéral Kaspar VILLIGER (matin seulement)
Chef du Département militaire fédéral

Monsieur Franz MUHEIM

Ambassadeur de Suisse au Royaume-Uni de
Grande-Bretagne et d'Irlande du Nord

Monsieur Achille CASANOVA

Vice-Chancelier de la Confédération suisse

Monsieur l'Ambassadeur Jenö STAHELIN

Chef de la Division politique I
Département fédéral des affaires étrangères

Monsieur l'Ambassadeur Guy DUCREY

Chef du Secrétariat politique
Département fédéral des affaires étrangères

Monsieur Emanuel JENNI

Adjoint diplomatique
Division politique I
Département fédéral des affaires étrangères

Madame Marie-France SKUNCKE

Interprète

en arrière-plan:

Monsieur Raymond LORETAN

Collaborateur personnel du Président
de la Confédération

Monsieur Pierre COMBERNOUS

Secrétaire diplomatique du Chef du Département
fédéral des affaires étrangères

THE SWISS POLITICAL SYSTEM

Introduction

1. Switzerland is a confederation. The Federal Government is formally responsible only for defence and for foreign and economic policy but its influence is slowly growing. Much of the work of government is still dealt with by the cantons (20 full cantons and 6 half cantons), each with institutions derived from history and varying local circumstances. Local communes also have extensive powers. All levels of government are however subject to control by "referendum", compulsory in some cases, or invoked by gathering enough signatures. Swiss decision-making is based on a well established system of consensus-building. The Swiss prefer consensus politicians and tend to react against commanding personalities.

2. The Federal Council

The seven members of the Federal Council are elected by the Federal Assembly, but are not themselves members of parliament. Under the "Magic Formula" of 1959 two each come from the Radical-Democratic, Christian-Democratic and Social-Democratic Parties and the seventh from the Swiss People's Party. The formula also ensures representation of the main languages, religions and regions. A different Federal Councillor is Federal President each year. Federal Councillors share collegiate responsibility. In cantons and even communes similar "magic formulas" are common.

3. The Federal Assembly

Elections are held every 4 years, next in 1991. The Upper House (States Council) has 46 members representing the cantons (two each from the twenty full cantons and one each from the six half cantons). The 200 seats of the Lower House (National Council) are distributed among the cantons according to size of population. Most cantons use proportional representation; the smallest use first-past-the-post. PR is also used for elections to cantonal governments. The Swiss system allows voters much flexibility in assigning their votes between parties and particular individuals. Voting patterns often reflect local loyalties and are remarkably static. The Federal Assembly sits 4 times a year, for 3 weeks at a time, but its committees meet much more often.

4. The Parties

The attached chart describes party strengths and affiliations.

5. Conclusions

The main characteristics of Swiss politics are balance and continuity. Changes in recent elections have been small, and to the advantage of the small parties. The "magic formula" has broad support. It means that voters cannot change the composition of the government, but they can influence policy directly through the referendum system. Many referenda are defeated, but the weight of votes cast in favour is then taken into account in the process of consensus policy-forming.

SWISS POLITICAL PARTIES REPRESENTED IN THE FEDERAL ASSEMBLY

<u>Name of Party</u>	<u>Federal Councillors</u>	<u>Seats In</u>		<u>Comments</u>
		<u>National Council</u>	<u>States Council</u>	
Radical-Democratic Party Freisinnig-Demokratische Partei (FDP) Parti radical-démocratique (PRD)	Jean-Pascal Delamuraz (Economy) Kaspar Villiger (Defence)	51	14	The party of big business
Christian-Democratic Party Christlichdemokratische Volkspartei (CVP) Parti Démocratique-Chrétien (PDC)	Arnold Koller (Justice and Police) Flavio Cotti (Interior)	42	19	The Roman Catholic party
Swiss People's Party/ Centre Democratic Union Schweizerische Volkspartei (SVP) Parti de l'Union Démocratique du Centre (UDC)	Adolf Ogi (Transport, Communications, and Energy)	25	4	Farmers, shopkeepers, small businessmen
Social-Democratic Party Sozialdemokratische Partei (SP) Parti socialiste (PS)	René Felber (Foreign Affairs) Otto Stich (Finance)	42	5	The only non-bourgeois party in the Federal Council
Liberal-Democratic Party Liberal-demokratische Partei (LPS) Parti Libéral (PLS)	0	9	3	Swiss Romande "patricians"
Independents Landesring der Unabhängigen (LdU) Alliance des Independents (AdI)	0	9	1	Not liberally independent, but financed by Migros. Predominantly environ- mentalists. States Councillor sits for

Green Party Grüne Partei der Schweiz (GPS)	0	9	0	Middle-class environmentalists. Entered Parliament in strength in 1987
Evangelical people's Party Evangelische Volkspartei (EVP) Parti évangélique (PE)	0	3	0	Vote with the LdU in Parliament but strongly Protestant. Two National Councillors from Zurich, one from Berne
Swiss Democrats Schweizer Demokraten (SD) Démocrates Suisses (DS)	0	3	0	Extreme right, anti-immigrant. Two National Councillors from Zurich, one from Berne
Other Independents	0	2	0	Formerly extreme left-wing.
Green Alliance Grünes Bündnis	0	2	0	Extreme left environmentalists. National Councillors from Basel (Land) and Aargau
Motorists Schweizer Auto-Partei (AP)	0	2	0	A political novelty. National Councillors from Zurich and Berne
Communist Party Partei der Arbeit (PA) Parti suisse du travail (PST)	0	1	0	National Councillor sits for Geneva

MEETING RECORD
Subject CC MASTER



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 September, 1990.

Dear Stephen,

PRIME MINISTER'S VISIT TO HUNGARY

The Prime Minister had three separate conversations with Prime Minister Antall during her brief visit to Hungary. This letter records their brief meeting on the first evening. They subsequently had a lengthy *tete-a-tete* the next morning, followed by a plenary session with officials. I am recording these separately.

The first meeting took place in Dr. Antall's office in the Parliament Building immediately after the welcoming ceremony in Kossuth Square. Dr. Antall was accompanied by the Hungarian Foreign Minister and officials. HM Ambassador Budapest was also present. The conversation was limited almost entirely to domestic developments in Hungary.

The Prime Minister commented that it was nice to see the Parliament Building being used for its intended purpose, in contrast to her last visit in 1984. But she wondered whether Dr. Antall did not find it rather difficult to do his work as Prime Minister from an office in the Parliament Building. Wasn't he constantly interrupted? Dr. Antall said that MPs did indeed constantly wander in and out, but at least it meant that he was in touch.

Dr. Antall continued that the Government were getting ready for the local elections in November. Much of local government was still run by a Communist bureaucracy, and the local elections should complement the changes which had taken place at the national level as the result of Parliamentary elections. There was a whole interlocking power structure at local level, comprising Communist officials, the heads of companies, and other prominent local figures which had to be dismantled. A lot of independent candidates would be standing, and he regarded that as a thoroughly good thing. For instance, his own Party's candidate to be Mayor of Budapest was a lady town-planner, who was not a politician at all.

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Dr. Antall continued that Parliament had that day adopted a first Privatisation Bill, covering small business and services. The Bill gave previous owners priority when it came to making bids, although this was largely theoretical, as the earlier owners were hard to trace. He also had problems with the churches who were demanding their property back. The whole ownership question was highly complex, but had to be resolved, because without a clear law, foreign capital would not come into Hungary. A Bill on compensation was also in preparation. This too was causing serious problems within the Government coalition, particularly with the Smallholders Party who wanted to restore ownership rights, not just to previous owners but to their children and grandchildren. Personally he had some sympathy with those who criticised the Government: but it was proving very hard to find a satisfactory compromise.

The Prime Minister commented that Hungary was ahead of other Eastern European countries in restoring private property. Difficult moral and practical issues were involved. Dr. Antall added that a further problem was that those with the funds to exploit the opportunities offered by privatisation were mostly people who had collaborated with the previous regime, or at least had been favoured by it. That was widely regarded as unfair. He had told the Prime Minister all this to explain the almost unbridgeable problems which the Government faced in this area.

The meeting had to end at this point.

*Yours sincerely,
C.D. Powell*

C.D. POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

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subject cc master

ccpc

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 September 1990

Dear Stephen,

PRIME MINISTER'S VISIT TO HUNGARY:
MEETING WITH THE ALLIANCE OF FREE DEMOCRATS

The Prime Minister had a meeting this afternoon with the leaders of the Alliance for Free Democrats in the Gobelins Hall in the Hungarian Parliament. The AFD's President, Dr. Janos Kis, was accompanied by Dr. Peter Tolgyessy, Leader of the AFD Parliamentary Group and Mr. Gabor Demszky, Chairman of the Parliamentary National Security Committee. HMA Budapest was also present.

The Prime Minister said that the credit for achieving democracy in Hungary belonged to all those who had opposed Communism, whether now in the Government or out of it. It had been an enormous change and she wondered whether the people generally yet understood the real nature of democracy and a market economy. They seemed to expect unrealistically early results. Dr. Antall had told her that the Government was being attacked in Parliament for its failure to produce instant prosperity. Dr. Kis said that people in Hungary found it hard to understand both the concept of an Opposition and the duty of the Opposition to oppose. So in effect the Prime Minister was right: there was no real understanding yet of the role of Parliament in a democracy. There was also some disarray in the country about the direction of the post-totalitarian revolution. Everyone welcomed what had happened so far. But there was less clarity about what now had to be built.

The Prime Minister recalled that she had once been Leader of the Opposition. She took the view that the Opposition should not oppose simply for the sake of it; where they agreed with the Government, they should say so. As regards Dr. Kis's point about lack of agreement on the way ahead, one could not foresee what would happen, but at least you knew it would be better than the old regime. She would be interested to hear how the AFD saw the future. Dr. Kis said that the AFD had started the fight against dictatorship ten years ago. They had received a great deal of help from the United States and the United Kingdom. Their goal had always been liberal democracy. They wanted much faster and more extensive privatisation than the Government were offering, as well as more decentralisation. The basic difference

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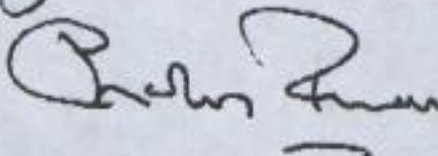
Between them and the Government was that they were a classic liberal party while the Democratic Forum represented a wider range of interests.

The Prime Minister asked Dr. Kis to say rather more about how his party's philosophy differed from that of the Government. Dr. Kis said that the AFD were individualists. They stood for free enterprise and respect for privacy and civil liberties. The Democratic Forum were not homogenous. They shared some of the AFD's views, but there were also strong currents of collectivist thinking. The Prime Minister asked about similarities and differences in foreign affairs. Dr. Kis indicated that there were few differences in this area. Overall, his party had stood at the last election for quick measures to overcome Hungary's financial and economic crisis by de-regulation and privatisation, while the Democratic Forum's remedies were more moderate. That was no doubt why they had won.

The Prime Minister asked about local government. Was it really still dominated by the Communists? Dr. Kis said there was quite a high level of competence in local government, relatively speaking. Membership of the Communist Party had been mostly nominal and careerist. For the future, loyalty and expertise were what would count: he did not favour a witch-hunt against former Communists.

Dr. Kis said he would like to make one final point. His Party wanted the United Kingdom and the United States to have an important role in Hungary, to counter-balance German influence. The Prime Minister said that she appreciated this and we would do our best to ensure that our presence was felt.

I am copying this letter to Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours sincerely,


CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

SECRET AND PERSONAL

MEETING RECORD
Subject cc MASTER

10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

19 September 1990

Dear Steph,

PRIME MINISTER'S MEETING WITH THE
HUNGARIAN PRIME MINISTER: RESTRICTED SESSION

The Prime Minister had a tete-a-tete session with the Hungarian Prime Minister in his office in the Parliament Building in Budapest this morning. The only other people present were Dr Antall's Private Secretary and an interpreter. I am recording separately their discussion of intelligence co-operation.

The Prime Minister recalled that during their recent meeting in Helsinki, Dr Antall had raised the question of a new framework for Hungary's defence, and had suggested the possibility of contacts with the WEU. She had been giving further thought to this whole question. Her advice remained that Hungary should move cautiously on the issue of relations with NATO and WEU, so as not to make Mr Gorbachev's position more difficult. That said, she saw no objection to Hungary seeking to initiate a dialogue with the WEU, although without the intention of seeking membership. It was not a very effective organisation anyway.

Dr Antall said that he had made clear Hungary's intention to withdraw from the military aspects of the Warsaw Pact by the end of next year. There was growing evidence that Czechoslovakia and Poland were willing to take a similar step, although they had tried to postpone the deadline to the end of March 1992. That in itself was a considerable step forward: they had earlier taken the line that Hungary was being rash. He intended to stick to the deadline of the end of 1991 and thought the Czechs and Poles would eventually accept this. With that, the Warsaw Pact would become no more than a consultative organisation. He had also written to the Czechoslovak and Polish Prime Ministers some time ago proposing defence co-operation among the three countries and had received a reasonably positive response. The Prime Minister said she could understand the case for Hungary remaining in the Warsaw Pact if it became just a consultative organisation: it would give Hungary some influence over the Pact's decisions. She recalled that President Havel had told her that he hoped it would soon be possible to announce that the Warsaw Pact would become a purely political organisation.

Dr Antall said that Hungary did not particularly want to remain involved with the political side of the Warsaw Pact. But

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SECRET AND PERSONAL

- 2 -

so long as a future framework for European security had not been clarified, he did not intend to push the issue of total withdrawal to a conclusion. The Prime Minister said that we were hoping to see the CSCE strengthened as a forum for political consultation. The NATO Summit had offered dialogue between NATO and the Eastern European countries, and we would be ready to prepare the ground for a similar dialogue between the WEU and Hungary.

Dr Antall said he was really seeking the Prime Minister's advice on two questions. First, did she agree that Hungary should participate in a Warsaw Pact which became a consultative political organisation, with the aim of leaving eventually but not talking too much about that for now? The second was: should Hungary attempt to start a dialogue with the WEU bilaterally, or with Czechoslovakia and Poland as well? The Prime Minister said her answer to the first question was affirmative. On the question of the WEU, Dr Antall should leave the United Kingdom to do some preparatory work. We would then be in touch about the best way to take matters forward. Dr Antall indicated that he was well content with these answers. He and the Prime Minister would have an opportunity for further discussion in the margins of the Conservative Party Conference in Bournemouth and at the CSCE Summit in Paris.

Romania

Dr Antall said that he was in direct contact with the Romanian Defence Minister, General Stanculescu, who was a person of considerable standing. He had been anxious to open a direct channel to the Hungarian Government and there had been one discreet meeting near the Hungarian/Romanian border. General Stanculescu had been quite effective in taking action to protect the Hungarian minority in Romania and seemed to be a man of the future. Dr Antall added that he had not illusions about General Stanculescu's motives: he probably wanted the political support of the Hungarian minority in Romania. The Prime Minister commented that we remained suspicious of the Romanian regime: only the influence of members of the former Government remained strong.

The Gulf

Dr Antall said that Hungary was applying the United Nations embargo. It was not in a position to contribute to the multi-national force but would join in the relief effort for refugees. Hungary was already in a very delicate situation vis-a-vis Arab countries because of its role in the movement of Jews from the Soviet Union. At the same time, his Government was criticised by others for being anti-semitic. Dr Antall added that Hungary had taken a very firm stand against Iraq, and he had refused to receive a personal envoy from Saddam Hussein, agreeing only to contacts at a lower level.

Dr Antall asked the Prime Minister for an account of the decisions of the recent meeting of Foreign Ministers of the Twelve. The Prime Minister said there had been agreement to expel Iraqi military attaches and their staff, and to restrict the movement of Iraqi diplomats. Personally, she had thought the

SECRET AND PERSONAL

SECRET AND PERSONAL

- 3 -

latter measure a mistake, because it would only lead to constraints on the activities of our own Embassy in Baghdad. But we had nevertheless agreed to go along. Meanwhile, good progress was being made in the United Nations Security Council on an air embargo. To her mind, the greatest danger remained that of an unsatisfactory compromise peace plan which would allow Saddam Hussein to benefit in some measure from his aggression. We must insist on full implementation of the UN Security Council Resolutions.

Dr Antall said that the Russians would prefer a peaceful outcome, but seemed aware that a military solution was likely. The Soviet Ambassador in Budapest, a former Secretary General of the Warsaw Pact, had said so quite openly. He himself believed that a military solution was inevitable, as did the Turks, although he feared it would lead to a major upheaval in the Middle East. It would be very important to restrain the Israelis. The Prime Minister said that the Israelis were well aware of the need to act with caution. If a military option were to be considered, it would be vital to have sufficient men and equipment there to leave no doubt about the prospect of success. Saddam Hussein must lose, and be seen to be a loser, in the whole of the Arab world.

Dr Antall recalled the unhappy repercussions in Eastern Europe of the United States giving up the fight in Vietnam. The Prime Minister agreed that the United States' reputation was on the line in the Gulf crisis. Dr Antall said that the United States and the United Kingdom had Hungary's full support.

British Council

The Prime Minister said that the British Council currently occupied a part of the Embassy premises. But these were now inadequate for the work which we wanted to do in the new situation in Hungary. We would very much like a larger building, and she understood it might be possible to obtain the further East German Cultural Centre. Dr Antall said that he had talked to his Foreign Minister yesterday about this. They would make every effort to solve the problem. They wanted Britain to have a very adequate building and would keep in close touch with the Ambassador about this. Off the record, he could say that the Hungarian Government would like us to have the East German building, but that depended on their being able to reach agreement with the Germans. That was the only condition.

Conclusion

The Prime Minister said that she very much valued her talks with Dr Antall. He represented the only genuine centre-right Government in Eastern Europe and she wanted Britain and Hungary to remain particularly close. Dr Antall indicated that this was his wish as well.

SECRET AND PERSONAL


I am copying this letter to Simon Webb (Ministry of Defence)
and Sonia Phippard (Cabinet Office).

*Yours sincerely,
Charles Powell*

CHARLES POWELL

J S Wall Esq
Foreign and Commonwealth Office

A The National Archives

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MEETING RECORD

SUBJECT CC MASTER



10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 September 1990

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE HUNGARIAN PRIME MINISTER:
PLENARY SESSION

I enclose a record of the plenary session of the Prime Minister's meeting with the Hungarian Prime Minister, in his office in the Parliament Building in Budapest this morning.

I am copying this letter and enclosure to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

Yours sincerely,
[Signature]

RESTRICTED

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PLENARY MEETING BETWEEN
THE PRIME MINISTER AND DR JOZSEF ANTALL
WEDNESDAY 19 SEPTEMBER 1990 AT 1015 HOURS

Present:

Prime Minister
HM Ambassador
Mr Powell (Private Secretary)
Mr Ingham (Press Secretary)
Mr Harborne (British Embassy)

Dr Jozsef Antall
Dr Gyorgy Matolcsy
(State Secretary and
Head of Economic
Secretariat, Prime
Minister's Office)
Dr Istvan Forrai
(Private Secretary)
Dr Tibor Antalpeter
(Hungarian Ambassador
in London)
Mr Gyula Kodolanyi
(Special Counsellor,
Prime Minister's Office)
Mr Pal Tar (Special
Counsellor, Prime
Minister's Office)
Mr Balazs Laszlo
(Government Spokesman)
Mr Tade Alföldy (Deputy
State Secretary, Western
Europe and North America,
MFA)
Mrs Eva Kovacs (Interpreter)

1. After an initial exchange of courtesies, the following subjects were discussed:

BBC Overseas Services

2. The Prime Minister referred to the BBC Overseas Service's discussions with Hungarian radio concerning the possibility of re-broadcasting the BBC World Service in Hungary. The BBC Overseas Services had a worldwide reputation for truthful and objective broadcasting and she hoped that Dr Antall's Government would look favourably upon these discussions.

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3. Dr Antall said that there was at present a moratorium on frequency allocation, to give the Hungarian authorities sufficient time to examine a large number of very variable proposals that had been put forward (including not only broadcasting but also cellular telephones). Furthermore, comprehensive legislation was currently being elaborated on the mass media as a whole. However, the BBC was very highly regarded; and collaboration was already underway between them and Hungarian Television and Radio as part of the re-structuring process. Dr Antall undertook to look into the BBC Overseas Service's request in a favourable manner.

Privatisation

4. The Prime Minister asked whether there was anything more that the UK could do to help. British experience had demonstrated the fundamental importance of getting state enterprises into private hands, so as to change managerial attitudes and ensure that all decisions were based on commercial considerations. With that change of attitudes, longstanding loss-makers were able to become profitable and thereby contribute to tax revenues instead of being a drain on the public purse. Under any other arrangements, the difficult decisions were made not by management but by politicians, being unqualified for the job, always got it wrong. Governments were always vulnerable to criticism by their opponents that state assets, when sold, were under-valued. She had often asked why, if that were the case, the Trade Unions, with their large pension funds, did not put in a bid. The truth of the matter was that any company was worth only what someone was prepared to pay for it, and was a function not of what it cost to create in the first place, but what it would take to modernise it, bring in new management and, more often than not, make major new investments.

5. Dr Antall explained that, hitherto, limits had been placed on the privatisation of shops and other small retail units in order to give the present operators an opportunity to become owners and thereby strengthen the "small entrepreneurs" stratum of Hungarian society. But, basically, practically everything was open to privatisation: the process would be carried out as quickly as possible, and there was no wish to exclude anyone. The large state-owned enterprises would be broken-up, both to make them more efficient and to increase competition. The State Property Agency had just produced the first list of soon-to-be privatised State-owned enterprises, with a total estimated valuation of US\$1 billion, and including some very important Hungarian industries (eg pharmaceuticals). He hoped for significant British participation not only as advisers but also as investors.

Cont'd ...

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Accession to the EEC

6. Dr Antall referred to his recent visits to Brussels and to Rome, where Mr Delors and Mr Andreotti had expressed support for Hungary's wish to negotiate an Association Agreement by 1 January 1992, leading to eventual full membership.

7. The Prime Minister said that Britain had taken the lead during the negotiation of the current Trade and Economic Cooperation Agreement and in proposing Association Agreements for the re-emerging democracies of Central and Eastern Europe. Consistent with this approach, we would do our level best to see negotiations begin as soon as possible on an Association Agreement and for them to be concluded within the time scale that Hungary wanted. We would give our support to Hungary's vision of that Association Agreement being a step on the road, eventually, to full membership.

Attitude of British Banks

8. Dr Antall wondered whether there was anything that the Prime Minister could do to encourage British banks towards a greater involvement in lending to Hungary: the downgrading by the Bank of England of Hungary's credit rating at the beginning of this year had seriously reduced British banks' willingness to participate in loans.

9. The Prime Minister took note of what Dr Antall had said. It was a complicated question, which revolved around the provisions that British banks were required, on prudential grounds, to make with respect to their lending to any heavily indebted country. She would look into the matter on her return.

COCOM Liberalisation

10. In response to Dr Antall's request for greater liberalisation, the Prime Minister said that the COCOM list had already been reduced by almost two-thirds. Britain had no doubt about Hungary's good faith. But what now remained on the COCOM list contained some very sensitive technology, and we needed to be very careful at present. However, we would be willing to look at any specific items if Hungary wished to put them forward.

Hong Kong

11. Dr Antall referred to recent sensationalised press reports concerning the possibility of Hong Kong citizens being offered Hungarian passports.

Cont'd ...

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12. The Prime Minister explained that the UK would be letting in around 200,000 Hong Kong citizens: administrators who had loyally served the Hong Kong Government and to whom we were thus indebted, and top entrepreneurs, whom we wanted to stay on but who needed an insurance policy against the event that things went wrong.

13. But there could be young professionals who might want to leave, and there would be no difficulty from the UK view point if, in order to help her restructuring, Hungary were to offer them passports.

Further Contacts

14. In conclusion, Dr Antall said that his forthcoming visits to the Conservative Party Conference and the Paris CSCE Summit would enable him and the Prime Minister to keep in close touch. The Prime Minister said that the election of the only centre-right Government in Central and Eastern Europe was something that merited top-level attention, and that was how the British Government would continue to approach relations with Hungary.

15. The meeting concluded at 1045 hours.

C. J.

BRITISH EMBASSY
BUDAPEST

CONFIDENTIAL

MEETING RECORD
SUBJECT CC MASTER10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

19 September, 1990.

Jan Steph.

PRIME MINISTER'S MEETING WITH PRESIDENT GONCZ

The Prime Minister had a brief meeting with the Hungarian President in his office in the Parliament Building in Budapest this morning. President Goncz was accompanied by the Hungarian Ambassador in London and other officials. HM Ambassador Budapest was also present.

The President asked the Prime Minister for her impressions of Hungary. The Prime Minister said the whole atmosphere was very much better compared with six years ago, when she had last been in Budapest. People would have to make some painful sacrifices. But Hungary would get help, through the IMF, the European Community, the EBRD and our Know-How Fund.

President Goncz mused that much would depend on what happened in the Soviet Union. He did not rule out the possibility that it would disintegrate into several separate states. Economic relations with the Soviet Union, particularly oil supplies, were already disrupted by recent political changes. He hoped that the Soviet Union would follow Hungary's path of democratic reform: that would stabilise matters. He would shortly be visiting Kiev. The Ukraine might well become an important future partner for Hungary. But he hoped that, one way or the other, President Gorbachev would lead the Soviet Union out of the present crisis and towards a plural democracy. The Prime Minister agreed that President Gorbachev had displayed great skill and shrewdness. She remembered telling Russian intellectuals in 1987 that Gorbachev would need their support in about five years time, when he would face real difficulties. One reason why it was so important that Hungary should break through to prosperity was the encouragement this would give to the Soviet Union.

The President continued that people in Hungary were impatient for the benefits of democracy and a market economy. A lot had already changed, particularly in terms of sweeping away old laws and introducing new ones. It was essential that people did not come to identify democracy with unemployment

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- 2 -

and poverty. That meant the Government did not have much margin of error to make mistakes.

The President referred briefly to the visit to the United States from which he had just returned and which had made him feel more optimistic - as indeed had his meeting with the Prime Minister. One needed regular contacts to renew one's spirits. The Prime Minister thanked the President for his kindness to the Prince and Princess of Wales during their visit to Hungary.

*Yours sincerely,
C.D. Powell*

C.D. POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

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PRIME MINISTER - TWO DOORSTEP INTERVIEWS - BUDAPEST - 19 SEP 90

- 1 -

FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF TWO DOORSTEP INTERVIEWS
GIVEN BY THE PRIME MINISTER, MRS. THATCHER,
IN BUDAPEST
ON WEDNESDAY, 19 SEPTEMBER 1990

INTERVIEW NO. 1

INTERVIEWER:

Mrs. Thatcher, have you any comment on the shooting of Sir Peter Terry?

PRIME MINISTER:

I was utterly appalled and deeply grieved.

The IRA now seem to be going for people who are defenceless at the time when they are attacked. It is thoroughly cowardly and we shall have to consider how we can strengthen even further our defences against them. It is a wicked, evil thing to do.

PRIME MINISTER - TWO DOORSTEP INTERVIEWS - BUDAPEST - 19 SEP 90

- 2 -

INTERVIEW NO. 2

PRIME MINISTER:

.....It is wicked and evil and we are closely in touch to see how Mr. and Mrs. Terry are.

INTERVIEWER:

What about the wider implication of security? We have had rather a spate of...

PRIME MINISTER:

Again, we will have to look once again at that. The numbers of things that are happening now make it important that we look once again to see if there is anything further we can do to step up security and defences against this guerrilla warfare.

INTERVIEWER:

Why do you call it "guerrilla warfare"?

PRIME MINISTER:

Because they are at war with us and we can only fight them with the civil law, so they are acting under what they regard as rules of war and we are acting with the ordinary law of the land. It is the action of terrorists.

PRIME MINISTER - TWO DOORSTEP INTERVIEWS - BUDAPEST - 19 SEP 90

- 3 -

INTERVIEWER:

Is the law of the land enough therefore? Are you implying that it is not enough?

PRIME MINISTER:

We cannot in fact do more under the law of the land than we are doing. The question is whether we can do any more for protection. The question is also whether we can assure ourselves that the Republic is doing all it can to track down terrorists, their sources of weaponry and their stores of weapons.

(END OF TRANSCRIPT)

FROM JAMES LEE

TRANS

GIVEN

INTERVIEW

By

Peter Lee

PRIME MINISTER

I was

The

at the time when

we shall have

defences against

PRIME MINISTER:

.....It is wish

Mr. and Mrs. [unclear]

INTERVIEWER:

What [unclear]

had rather [unclear]

PRIME MINISTER:

Again, [unclear]

of things [unclear]

again to [unclear]

security and [unclear]

INTERVIEWER:

Why [unclear]

PRIME MINISTER:

Because [unclear]

with the civil [unclear]

rules of war and [unclear]

It is the action [unclear]

INTERVIEWER:

Is the law of
that it is not...

PRIME MINISTER:

...
are doing?
protection
that the...
their...

(END OF TRAN)

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FM BERNE

TO DESKBY 191000Z BUDAPEST

ELNO 005

OF 190800Z SEPTEMBER 90

INFO IMMEDIATE FCO

INFO SAVING ZURICH, GENEVA (BERNE WILL PASS)

FOLLOWING FOR PRIME MINISTER'S PARTY

PRIME MINISTER'S VISIT TO SWITZERLAND: SCENE SETTER

SUMMARY

1. THE SWISS WILL WELCOME THE PRIME MINISTER VERY WARMLY ON 20 SEPTEMBER. THEY HAVE SOLVED MANY PROBLEMS OF MODERN LIFE, BUT NOW FACE THE FUNDAMENTAL CHALLENGE OF RE-DEFINING THEIR PLACE IN EUROPE. THEY WILL BE KEEN TO SECURE THE PRIME MINISTER'S SUPPORT.

DETAIL

2. THE PRIME MINISTER WILL RECEIVE AN EXCEPTIONALLY WARM WELCOME IN SWITZERLAND WHERE HER RECORD IN OFFICE IS MUCH ADMIRED. THE ASPEN SHEECH WAS WELL RECEIVED HERE. OUR DEALINGS WITH THE SWISS ARE CLOSL AND CORDIAL. TRADE AND INVESTMENT ARE BOOMING.

3. THE SWISS HAVE AN ENVIABLE RECORD IN TACKLING MANY OF THE PROBLEMS OF THE MODERN WORLD. THEIR ECONOMY CONTINUES TO FLOURISH, WITH UNEMPLOYMENT NON-EXISTENT. MOST OF THE MAJOR COMPANIES SELL ABROAD THE GREATER PART OF THEIR TURNOVER. THE SWISS FRANC IS SOLID. INFLATION IS HOWEVER CAUSING CONCERN AT OVER 6%. INDUSTRIAL RELATIONS ARE HEALTHY. THE SWISS CLAIM CREDIT OVER THE ENVIRONMENT: SEE MY DESPATCH OF 15 AUGUST. THERE IS A STRONG TRADITION OF ACTIVE DEMOCRACY AT NATIONAL, CANTONAL AND LOCAL LEVEL. BUT THE NATIONAL OBSESSION WITH CONSENSUS-BUILDING CAN HOLD BACK NECESSARY CHANGE.

4. SWITZERLAND'S ABILITY TO REMAIN A COSY BACKWATER IN THE HEART OF EUROPE IS HOWEVER NOW UNDER CHALLENGE. THE EC'S EEA INITIATIVE AND STILL MORE THE DRAMATIC CHANGES IN EASTERN EUROPE HAVE FORCED THE SWISS TO RE-THINK THEIR PLACE IN EUROPE. SOME POLITICIANS ARE NOW SPEAKING PUBLICLY OF EC ACCESSION ONE DAY. BUT CONSENSUS IS PROVING ELUSIVE. SUPPORT FOR THE EEA IS STRONG AMONG FRENCH-SPEAKERS, THE YOUNG AND MANY DECISION-MAKERS. RESISTANCE TO CHANGE IS STILL PREVALENT IN CENTRAL SWITZERLAND AND AMONG FARMERS AND OLDER PEOPLE. THE EEA WILL HAVE TO BE ACCEPTED BY A DOUBLE MAJORITY OF BOTH VOTERS AND CANTONS IN A NATIONAL PLEBISCITE. THE VOTER WILL BE SCEPTICAL ABOUT ACCEPTING A HUGE CORPUS OF EC LEGISLATION UNLESS HE IS TO HAVE AT LEAST A CLEAR INFLUENCE OVER FUTURE CHANGES IN THE EEA.

5. NEUTRALITY, WHICH SERVED THE SWISS WELL IN THE PAST, IS ALSO CHANGING. THE SWISS IMPOSED SANCTIONS PROMPTLY IN SOLIDARITY WITH THE UN AND THE EC OVER THE IRAQI INVASION OF KUWAIT, AND ARE APPLYING THEM DUTIFULLY. THEIR EMBASSY IN KUWAIT REMAINS NOMINALLY OPEN, THOUGH NOW UNMANNED. THE SWISS ARE ACTIVE IN THE INTERNATIONAL EFFORT TO HELP THE REFUGEES.

6. EUROPE, EAST-WEST AND THE GULF WILL BE HIGH ON THE FEDERAL COUNCIL'S AGENDA WITH THE PRIME MINISTER. BUT THEY HAVE DOMESTIC CONCERNS TOO, NOTABLY INFLATION, A ROW OVER MORTGAGE RATES (MY TELNO 155 TO FCO), ENERGY POLICY (3 PLEBISCITES ON 23 SEPTEMBER), REFUGEES (OVER 4000 APPLICATIONS IN AUGUST ALONE) AND A PROTECTIONIST SYSTEM OF AGRICULTURE MARKED BY FOOD PRICES EVEN HIGHER THAN THOSE OF THE EC.

7. THE FEDERAL COUNCIL WILL BE KEEN TO ENLIST THE PRIME MINISTER'S SUPPORT IN THE EEA NEGOTIATIONS. ~~THEY WILL BE~~ LOOKING FOR EVIDENCE THAT WE AND OTHER LEADING EC MEMBER STATES TAKE THEIR CONCERNS SERIOUSLY. THIS WILL PROVIDE THE PRIME MINISTER WITH AN OPPORTUNITY TO PRESS THEM TO PULL THEIR WEIGHT WITHIN EUROPE AND MORE WIDELY. ~~THEY COULD DO MORE TO COOPERATE WITH US AND OTHERS AGAINST TERRORISM.~~ IN THIS AREA, PRESIDENT KOLLER IS THE KEY TO ANY IMPROVEMENT. THE EEA TALKS ARE ALREADY HELPING TO ENCOURAGE THE SWISS TO OPEN THEIR MARKETS TO OUTSIDERS, IN THEIR OWN INTERESTS ALSO.

8. ON THE BILATERAL FRONT, THE VISIT WILL PROVIDE EXCELLENT OPPORTUNITIES TO CORRECT LINGERING NEGATIVE PERCEPTIONS OF OUR RECORD ON THE ENVIRONMENT, NORTHERN IRELAND, INFLATION AND INDUSTRIAL RELATIONS, AND TO EMPHASIZE OUR VIEWS ON FUTURE DEVELOPMENTS IN EUROPE. PAST AND CONTINUING SUCCESS IN DEFENCE SALES ALSO DESERVES TO BE NOTED: THE SWISS HAVE BEEN REGULAR CUSTOMERS FOR BRITISH EQUIPMENT, PARTICULARLY FOR AIRCRAFT BOTH MILITARY AND CIVIL.

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AND TO IMMEDIATE NO TEN, CABINET OFFICE

BUDAPEST/CABINET OFFICE - IMMEDIATE FOR THE PRIME MINISTER AND CHIEF
PRESS SECRETARY

NO TEN - PRESS OFFICE, DUTY CLERK AND PRIME MINISTER'S PRIVATE OFFICE

FOLLOWING IS LPS MEDIA SUMMARY OF RADIO AND TELEVISION NEWS
BROADCASTS ON TUESDAY EVENING, 18 SEPTEMBER, AND OF FIRST EDITIONS OF
NATIONAL NEWSPAPERS FOR WEDNESDAY 19 SEPTEMBER 1590.

RADIO AND TELEVISION

ITN NEWS AT 1740 REPORTED THAT MRS THATCHER APOLOGISED IN A SPEECH TO
THE CZECH FEDERAL ASSEMBLY FOR THE 'SHAME' OF THE MUNICH AGREEMENT,
AND THAT FORMER CZECH LEADER ALEXANDER DUBCEK SAID AFTERWARDS: 'FOR
US SHE IS NOT THE IRON LADY. SHE IS THE KIND DEAR MRS THATCHER. SHE
IS MUCH LOVED IN OUR COUNTRY.' THE REPORT INCLUDED FILM OF THE PRIME
MINISTER MAKING HER SPEECH.

BBC1 TV NEWS AT 1800 SHOWED FILM OF THE PRIME MINISTER LAYING A
WREATH IN WENCESLAUS SQUARE, AND PRESENTING HER SPEECH TO THE FEDERAL
ASSEMBLY, SAYING: 'WE FAILED YOU IN 1938 WHEN A DISASTEROUS POLICY OF
APPEASEMENT ALLOWED HITLER TO EXTINGUISH YOUR INDEPENDENCE....' THE
REPORT ADDED THAT SHE STRESSED IN HER SPEECH THAT THE EC SHOULD BE
READY TO ACCEPT ALL THE COUNTRIES OF EASTERN EUROPE, AND THAT THOSE
WHO WISH TO JOIN MUST BE FULL, AND NOT SECOND CLASS MEMBERS.

CHANNEL 4 TV NEWS AT 1900 INCLUDED A SIMILAR REPORT.

BBC1 TV NEWS AT 2100 REPEATED ITS EARLIER (SIX O'CLOCK) REPORT, WITH
THE ADDITION OF FILM SHOWING MRS THATCHER'S ARRIVAL AND WELCOME IN
BUDAPEST.

ITN'S 'NEWS AT TEN' GAVE SIMILAR COVERAGE, AND BBC2 TV'S 'NEWSNIGHT'
AT 2230 SHOWED EXTRACTS FROM MRS THATCHER'S SPEECH TO THE
CZECHOSLOVAK FEDERAL ASSEMBLY.

PRESS COVERAGE

THE TIMES: A BACK PAGE REPORT BY PHILIP WEBSTER FROM PRAGUE CONCENTRATES ON MRS THATCHER'S SPEECH TO THE FEDERAL ASSEMBLY, AND IN PARTICULAR ON HER CALL TO THE EC TO PUT ASIDE ITS INTERNAL PREOCCUPATIONS IN FAVOUR OF THE NEED TO REUNITE EUROPE BY OPENING ITS DOORS TO ALL COUNTRIES OF EASTERN EUROPE. BUT HER VISION FOR EUROPE IS SAID TO CONTRAST SHARPLY WITH THOSE OF PRESIDENT MITTERRAND AND JACQUES DELORS. THE PAPER'S FIRST EDITORIAL PICKS UP THIS THEME. 'THE ISSUE NOW TAXING THE EC IS NO LONGER POLITICAL OR MONETARY UNION BUT SIZE,' THE WRITER SUGGESTS, AND MRS THATCHER IS SAID TO BE THE LEADER WHO IS FORCING THE ISSUE.

DAILY TELEGRAPH: COVERAGE COMPRISES A PAGE 1 REPORT BY GEORGE JONES FROM PRAGUE AND A PHOTOGRAPH OF MRS THATCHER WITH PRESIDENT HAVEL AT THE LANTERN COFFEE BAR, TWO PAGE 18 REPORTS BY GEORGE JONES (ONE ON HER FEDERAL ASSEMBLY SPEECH, THE OTHER ON HER WELCOME TO BUDAPEST), AND AN EDITORIAL, IN WHICH MRS THATCHER'S SPEECH IS DESCRIBED AS 'BOTH GRACIOUS AND WIDE-RANGING'. THE WRITER SAYS THAT THE RANGE OF HER SPEECH WAS SUCH THAT MANY OF THE IDEAS SHE EXPRESSED WERE LONG TERM AND VAGUE, BUT 'BEHIND THEM LIES THE MORE IMMEDIATE PURPOSE OF DILUTING THE DRIVE TOWARDS MONETARY AND POLITICAL UNION WITHIN THE EC.' HER SUSPICION OF THE CENTRALISING, SOCIALIST TENDENCIES WITHIN THE COMMUNITY ARE SAID TO BE ENTIRELY JUST GBERHKJTBUT THE EDITORIAL CONCLUDES THAT HER DISBELIEF IN THE DESIRABILITY OF IMMINENT MONETARY UNION SHOULD NOT DEBAR BRITAIN FROM PURSUING A CLOSER RELATIONSHIP WITH THE COMMUNITY.

FINANCIAL TIMES: DIFFERING VIEWS HELD BY THE FRENCH AND BRITISH LEADERS ON THE FUTURE OF EUROPE IS ALSO THE THEME OF A PAGE 4 REPORT FROM PRAGUE IN THE FT BY IVO DAWNAY. BENEATH THE HEADLINE 'THATCHER FIGHTS THE FRENCH FOR CZECHOSLOVAK HEARTS AND MINDS', HE SAYS HER ADDRESS THE FEDERAL ASSEMBLY CAME IN STARK CONTRAST TO THAT GIVEN A WEEK EARLIER BY PRESIDENT MITTERRAND, AND WAS REPORTDLY MORE POPULAR. 'THE OUTBREAK OF BARELY DISGUISED ANGLO-FRENCH DIPLOMATIC HOSTILITIES ON THE PLAINS OF BOHEMIA,' HE SUGGESTS, 'HAS CAUSED A GREAT DEAL OF AMUSEMENT TO THE CZECHOSLOVAKS,

WHO ARE UNUSED TO HAVING THEIR HEARTS AND MINDS WOODED BY ANYONE, LET ALONE THE OLD RIVALS FROM THE WEST.' THE GUARDIAN: A PAGE 7 REPORT BY IAN TRAYNOR FROM PRAGUE ALSO CONCENTRATES ON THE VISION FOR EUROPE EXPRESSED BY MRS THATCHER IN HER FEDERAL ASSEMBLY SPEECH. THIS IS IMMEDIATELY FOLLOWED BY A HELLA PICK REPORT ON A SPEECH BY THE SHADOW DEPUTY SPOKESMAN ON FOREIGN AFFAIRS, GEORGE ROBERTSON, WHO IS SAID TO HAVE SUGGESTED THAT MRS THATCHER SHOULD REFLECT ON THE 'MISERABLE PARSIMONY' OF THE GOVERNMENT'S PROGRAMME OF ASSISTANCE FOR EASTERN EUROPE, AND TO HAVE CALLED FOR GREATER GENEROSITY TO GIVE A KICKSTART TO THE FALTERING NEW MARKET ECONOMIES.

TODAY: A BRIEF PAGE 2 REPORT WITH NO BY-LINE GIVES EXTRACTS FROM THE SPEECH CONCERNING THE NEED FOR COLLECTIVE ACTION TO STOP SADDAM HUSSEIN.

DAILY EXPRESS: CHRIS BUCKLAND REPORTS FROM PRAGUE THAT MRS THATCHER LOST HER IRON LADY TITLE YESTERDAY AND WAS PRAISED AS THE CHAMPION OF LIBERTY, AFTER BRINGING CZECHOSLOVAK MPS TO THEIR FEET WITH HER PLANS FOR A NEW CHARTER FOR WORLD FREEDOM. AND IN ITS FIRST EDITORIAL, THE PAPER SAYS SHE COULD HAVE FOUND NO BETTER CITY IN THE WORLD THAN PRAGUE TO DELIVER HER WARNING ON THE PERIL OF APPEASING DICTATORS.

(THE DAILY MAIL AND THE INDEPENDENT WERE NOT AVAILABLE IN TIME FOR THIS SUMMARY)

GULF CRISIS

COVERAGE ON DEVELOPMENTS RELATING TO THE GULF CRISIS ARE CONFINED TO LITTLE MORE THAN A SINGLE PAGE IN MOST OF TODAY'S PAPERS, AND THERE IS NO COVERAGE IN THESE FIRST EDITIONS OF THE WEU'S CALL FOR AN AIR EMBARGO ON IRAQ. NO SINGLE STORY STANDS OUT.

THE GUARDIAN'S COVERAGE INCLUDES REPORTS ON SYRIA'S PRESIDENT ASSAD PLANNING HIS FIRST VISIT TO TEHRAN NEXT WEEK, AND PAKISTAN'S PROPOSAL THAT A PAN-ISLAMIC FORCE COULD EVENTUALLY REPLACE MOST OF THE AMERICAN TROOPS IN SAUDI ARABIA,

A REPORT FROM AMMAN IN THE TIMES SAYS THAT VETERAN PALESTINIAN GUERRILLA LEADER GEORGE HABASH HAS WARNED THAT A NEW WAVE OF PALESTINIAN TERROR WOULD BE UNLEASHED AGAINST THE WEST IF WAR BREAKS OUT IN THE GULF. ANOTHER REPORT CONCERNS TRAVEL LIMITS IMPOSED BY THE FOREIGN OFFICE ON IRAQI DIPLOMATS.

LEAD STORY IN THE FT'S COVERAGE SAYS THE US COMMERCE DEPARTMENT BRUSHED ASIDE SPECIFIC OBJECTIONS BY THE PENTAGON AND APPROVED AS MANY AS 14 EXPORT SHIPMENTS TO IRAQ BETWEEN 1985 AND 1990 THAT DIRECTLY HELPED IRAQ'S DEVELOPMENT OF NUCLEAR, CHEMICAL AND BALLISTIC MISSILE CAPABILITIES.

?TODAY* HAS A PAGE 1 STORY, HEADLINED *FURY AS MPS FLY TO MEET SADDAM*, CONCERNING THREE LABOUR MPS WHO ARE PLANNING TO JOIN A PARTY OF 14 EUROPEAN SOCIALIST MPS. THEY ARE SAID TO BE HOPING TO NEGOTIATE WITH SADDAM HUSSEIN FOR THE RELEASE OF BRITISH HOSTAGES. THE REPORT QUOTES MRS THATCHER SAYING SHE WAS 'ABSOLUTELY APPALLED'.

A PAGE 1 REPORT IN THE DAILY TELEGRAPH SAYS THE US BUILD-UP OF FORCES IN THE GULF WILL NOT BE COMPLETE UNTIL EARLY NOVEMBER BECAUSE OF A SHORTAGE OF SHIPPING.

MRS MANDELA: LEAD STORY IN ALL OF THE BROADSHEET PAPERS CONCERNS THE DECISION BY THE WITWATERSRAND ATTORNEY-GENERAL THAT NELSON MANDELA'S WIFE SHOULD FACE CHARGES OF KIDNAPPING AND SERIOUS ASSAULT CONNECTION WITH THE ABDUCTION OF FOUR BLACK YOUTHS, ONE OF WHOM WAS SUBSEQUENTLY MURDERED.

US MILITARY CUT-BACK: THREE US AIR BASES IN BRITAIN ARE AMONG 128 AMERICAN MILITARY INSTALLATIONS WORLD-WIDE THAT WILL CLOSE, STARTING NEXT YEAR, UNDER CUT BACKS ANNOUNCED BY THE PENTAGON YESTERDAY. IN ADDITION, OPERATIONS ARE TO BE REDUCED AT A FURTHER 23 SITES. IT IS REPORTED THAT 109 OF THE SITES AFFECTED ARE IN WEST GERMANY, AND REASONS GIVEN FOR THE CUT BACKS ARE BUDGET PROBLEMS, AND THE REDUCED SOVIET THREAT IN EUROPE.

FIRST MAJOR POLL TAX DEFEAT FOR THE GOVERNMENT: THE HIGH COURT HAS REFUSED TO OUTLAW THE 521 POUND COMMUNITY CHARGE FIGURE SET BY CHARGE-CAPPED LAMBETH COUNCIL. TWO JUDGES DECIDED THE LOCAL AUTHORITY HAD ACTED LAWFULLY WHEN IT SET THE SUM.

LIBERAL DEMOCRATS' CONFERENCE: DELEGATES AT THE BLACKPOOL CONFERENCE ARE SAID TO HAVE GIVEN MR PADDY ASHDOWN OVERWHELMING BACKING FOR HIS STAND OVER THE GULF CRISIS, WHEN THEY THREW OUT BY A LARGE MAJORITY A CALL FOR THE PARTY TO REJECT MILITARY ACTION UNLESS APPROVED BY THE UN.

1996 OLYMPIC GAMES VENUE: ATLANTA, GEORGIA, HAS BEEN SELECTED BY THE IOC (INTERNATIONAL OLYMPIC COMMITTEE) TO HOST THE 1996 OLYMPIC GAMES.

THE IRA IS REPORTED TO HAVE CLAIMED RESPONSIBILITY FOR THE SHOOTING OF AN ARMY SERGEANT IN FINCHLEY ON MONDAY.

ANOTHER IRA SHOOTING? THERE WERE NEW AGENCY REPORTS LAST NIGHT (COMING TOO LATE FOR THE FIRST EDITIONS) THAT A GUNMAN SHOT AND INJURED THE FORMER GOVERNOR OF GIBRALTAR AND HIS WIFE AT THEIR HOME NEAR STAFFORD. AIR CHIEF MARSHALL SIR PETER TERRY AND LADY TERRY BOTH RECEIVED GUNSHOT WOUNDS, AND WERE BEING TREATED IN STAFFORD HOSPITAL. SIR PETER WAS GOVERNOR WHEN THE SAS SHOT AND KILLED THREE IRA TERRORISTS IN GIBRALTAR, IN 1988.

ENDS

COI LONDON

CKLNAN 547R

NNNN



19 September 1990

Mr Powell o.a.

PRIME MINISTER'S VISIT TO CIBA GEIGY

1. Ciba Geigy have sent us the attached briefing folders for yourself and the Prime Minister. They contain nothing new or additional to the briefing already provided.
2. You might like to acknowledge these, or we could do it on your behalf.

Ian Hughes.

Ian Hughes



Treasury Chambers, Parliament Street, SW1P 3AG
071-270 3000

19 September 1990

Charles Powell Esq
PS/Prime Minister
10 Downing Street
LONDON
SW1

Dear Charles,

THE PRIME MINISTER'S VISIT TO SWITZERLAND ON 20 SEPTEMBER

... I enclose a background brief on Switzerland's application to the IMF, which the Prime Minister may find useful during her visit to Switzerland tomorrow. As you will see, discussions of Switzerland's application have started in Washington, so the issue is topical.

I am copying this letter to Paul Tucker.

Tomasz Tarkowski

T TARKOWSKI
Private Secretary

PRIME MINISTER'S VISIT TO SWITZERLAND 20 SEPTEMBER

Switzerland's application to join the IMF and World Bank

Objective

1. To emphasise UK's support for Switzerland's application to join the IMF and the World Bank, while stressing that new applicants have to be treated consistently.

Line to take

2.
 - i. Very much welcome the Swiss application to join the IMF and the World Bank, especially as Switzerland already plays a substantial role in the international financial system.
 - ii. UK watching discussions of Switzerland's application to the IMF with keen interest. Important to treat new members consistently. UK has made clear in those discussions our support for the Swiss application, with a good deal more enthusiasm than some. The case for consistent treatment on the size of the quota for new applicants and existing members is being made by virtually all countries at the IMF.
 - iii. Whether Switzerland succeeds in its aim of a seat on the Boards of the IMF and World Bank will depend on the size of the Swiss quota and on the attitude of those countries, unlike the UK, which already share seats (in a constituency) on the Boards.

Background

3. Discussions of the Swiss application to join the IMF began on 11 September, when the Membership Committee, set up to consider the application and report to the Fund Board, met for the first time. So the Swiss application is topical, and may well be raised in Berne.

4. When the Swiss Finance Minister and President of the Swiss National Bank visited London in April, they saw the Prime Minister and the Chancellor. It was made clear that the UK welcomed the Swiss application very much and hoped it would be brought to a successful conclusion. The main issues to be sorted out were the size of Switzerland's IMF quota and whether it would have a place on the Fund Board. The Chancellor emphasised that the UK preferred to regard these issues as technical questions, rather than political issues, to be settled by consensus in the Fund Board.


5. The United Kingdom was an observer at the meeting of the Membership Committee on 11 September. (The Managing Director of the IMF decides the membership of such committees: the UK chaired the Membership Committee for Czechoslovakia and was a member of the recent Bulgarian and Namibian Committees.)

6. At the Membership Committee, the UK Executive Director reiterated that the UK welcomed the Swiss application and the UK's traditional position that new members should be treated consistently. On a couple of issues - the treatment of gold transactions and banking interest - he supported the Fund staff's proposal to treat Switzerland in the same way as the United Kingdom. He sympathised with Switzerland's argument that indicators of a country's role in the international financial world should play a bigger part in the calculation of quotas. Such a change in the rules, if made, would need to apply to all countries; and in practice work by the Fund staff had indicated that the practical effect of using such indicators was likely to be small. Most other directors (apart from the French who are sponsoring Swiss membership) took a very similar line.

7. Spain have taken a keen interest in the size of Switzerland's quota. They are concerned that Switzerland should not be given more favourable treatment than themselves. The Chancellor has emphasised that it is important not to alienate Spain in this context, following their helpful intervention at Ecofin on EMU. If Switzerland were given a quota as high as the SDR 2.1 billion they have asked for, that would be over 60 per cent higher than the Spanish quota, though Switzerland's economy is roughly half the size of Spain's.

8. The Swiss continue to lobby. They have made contacts at official level in Washington and London. In speaking to us they have a tendency to put a somewhat pessimistic construction on the UK's statements on their application. Officials have reminded them of the welcome given by Ministers to the Swiss application, and the technical considerations that are applied to every application for membership to the IMF. The Governor of the Bank of England is due to see the Swiss Finance Minister during the Annual Meetings of the IMF and the World Bank.

A The National Archives

DEPARTMENT/SERIES <i>PRGM 19</i> PIECE/ITEM <i>2994</i> (one piece/item number)	Date and sign
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PRIVATE SECRETARY

cc: Mr Ingham

MAJOR BRITISH CONTRACTS

1. Two major deals were finalised on 18 September which the Prime Minister could mention at the press conference as evidence of growing British involvement in Hungarian economic re-structuring.

Ganz Hunslet

2. This is the largest UK/Hungarian joint venture and will be visited by Mr Thatcher. The deal is a £40m order by Hungarian railways for 1991. All the units will be made in Hungary, but the shape and interior are UK-designed, with some UK supplies (eg seating). In addition to its high value, the order will also introduce British design and standards into the Hungarian railway system.

ICL

3. The local ICL office has signed a £1.7m contract to provide HUNGAROCAMION (the second largest lorry fleet operator in Europe) with a computerised fleet management system.

John Birch

18 September 1990

J A Birch

PRIME MINISTER - BRATISLAVA - PC - 18 SEPTEMBER 1990

- 1 -

FROM EGMG FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF PRESS CONFERENCE
GIVEN BY THE PRIME MINISTER, MRS THATCHER,
IN BRATISLAVA,
ON TUESDAY, 18 SEPTEMBER 1990

=====

PRIME MINISTER:

Ladies and Gentlemen. First, as this is my last press conference in Czechoslovakia, I would like to say thank you for the very kind welcome I have received and for the generous hospitality on the part of both government and people. Thank you very much.

These peoples have won their great battle for freedom brilliantly, courageously and decisively. They now wish to have the economic back-up for freedom, which of course is a market economy, they know what they want to do but not yet quite how to do it.

They wish to have training for their young people both in the latest technological industries and in management. That we can provide through the British Council, in our technical colleges and universities.

In addition to the group of British people who are here to advise on privatisation, the governments here would like to have a group of entrepreneurs to show them how to do things our way and possibly to start up in both parts of Czechoslovakia. That we can arrange for them to come and to see you.

There are, I think, three points to be made in seeing the way ahead. First, on the side of the economy, is to join the IMF and the World Bank, which is how the Western economy works, so that

PRIME MINISTER - BRATISLAVA - PC - 18 SEPTEMBER 1990

- 2 -

Czechoslovakia can have the benefit of their advice, and that I understand is being done.

Second, as you are now a democracy, to become a member of the Council of Europe, which is the 17 countries of Europe whose condition of membership in the Council is that each is a democracy, and that will be open to you to join very soon.

And third, in negotiating an Association Agreement with the European Community, I hope you will make it clear to them, and they will make it clear to you, that full membership is open when the necessary economic changes have occurred. That way, you become a member of a larger grouping of nations, each with democratic ideals and a free market economy, but each retaining its own culture which is vital for its national character and for the variety which is essentially European.

Finally, now we no longer speak in the language of East and West Europe, but in the language of democratic Europe and the wider Europe, this part of the world has once again become the centre of European activities and should regain its rightful place in that role which it has carried out through the ages. So you are no longer on the fringes, but back in the centre.

I wish your politicians and people well in all their endeavours.

ooo00ooo

PRIME MINISTER - BRATISLAVA - PC - 18 SEPTEMBER 1990

- 3 -

(QUESTIONS AND ANSWERS)

QUESTION (Czechoslovak TV):

Mrs Prime Minister, what do you think are the main reasons of national problems in Eastern European countries, do you think they can threaten the new democracies in this region, and also the relations with Western countries?

PRIME MINISTER:

The main problem is that they have been under the communist system which snuffs out all individuality, all enterprise, all initiative, all sense of personal responsibility. All of these things have to be regained, which means an enormous change in attitude in a short time. They can be regained and if you come to us we can show you that it works. I believe that in my remarks I indicated the way ahead for the relationship with the West.

QUESTION:

We know that in Europe the feelings for the welcome for the reunification of Germany is also accompanied by fears of the political and economic powers of a reunited Germany, what is your opinion of this problem?

PRIME MINISTER:

I think of course there is a certain amount of apprehension because whereas before unification there were four main nations of approximately the same size, in future there will be one that is very much bigger than the others and one with a very powerful industrial base.

PRIME MINISTER - BRATISLAVA - PC - 18 SEPTEMBER 1990

- 4 -

Nevertheless, it is up to us, I think, to see that Europe with all its ideals and its idea of a single market works and I believe we shall be able to do that. After all, we ourselves are not without influence, nor is France, nor Spain, nor the other countries in European matters, and we are quite ready to speak up.

QUESTION:

Will the rapid integration of Czechoslovakia into the Common Market, as you have suggested, prevent some people in America and even some in Europe from thinking that Czechoslovakia should serve as a kind of buffer zone between East and West?

PRIME MINISTER:

First, I do not think that the integration into the Community will be very rapid because it will depend upon your coming to a full market economy and you are very well aware of the difficulties of that. But it can be achieved, but it will not be a very quick process.

When you start to talk of buffer zones, you are really talking in defence terms, rather more in democratic terms. I think in defence terms, NATO is our defence organisation and the wider political organisation, now that the Soviet Union is coming to democracy, is the organisation, the CSCE, otherwise known as the Helsinki Accords, we shall use both. But it would be up to Czechoslovakia to decide whether she wanted to join when the economic conditions were fulfilled.

PRIME MINISTER - BRATISLAVA - PC - 18 SEPTEMBER 1990

- 5 -

QUESTION:

I would like to know if the opinion expressed by your former Minister, Mr Ridley, concerning the unification of Germany was an isolated opinion or whether this opinion has a broader support in Great Britain?

PRIME MINISTER:

I have expressed the opinion, which I think would find support among our people. Unification of Germany is going to take place, Germany has been and will continue to be a loyal member of NATO and a full member of the European Community, and as I have indicated, there are many of the rest of us in the European Community who can also make our feelings felt and our voices heard.

Finally, can I thank our brilliant and patient interpreter.

(END OF TRANSCRIPT)

TRANSCRIPT A - PM - PRAGUE - SPEECH - 18 SEPTEMBER 1990

- 1 -

FROM EGMG FOR CDI RADIO TECHNICAL SERVICES

TRANSCRIPT OF SPEECH

GIVEN BY THE PRIME MINISTER, MRS THATCHER,

TO THE FEDERAL ASSEMBLY IN PRAGUE,

ON TUESDAY, 18 SEPTEMBER 1990

=====

TRANSCRIPT A

PRIME MINISTER:

Mr President Havel, Mr Chairman Dubcek, Your Excellencies,
Members of the Federal Assembly.

Thank you for your warm welcome and for giving me this
opportunity to address the Federal Assembly. I should like to say
a few words to you first as an ordinary Member of Parliament.

A free Parliament and the rule of law are at the very heart
of what we understand by democracy. We in Britain have had the good
fortune to enjoy them for some 800 years. Our liberties have grown
steadily over the centuries and we are sometimes flattered by being
called the Mother of Parliaments.

The history of your Assembly has been different. You have
not inherited your freedom, your fight has been to keep it from
being extinguished, first by Nazi tyranny and later by communist
dictatorship.

There were brief flashes of sunlight - the Prague Spring of
1968 in which you, Mr Chairman, played such a memorable role before
hope was so cruelly snuffed out. The pictures of that brave venture
are etched on our memory and our inability to help remains a burden

TRANSCRIPT A - PM - PRAGUE - SPEECH - 18 SEPTEMBER 1990

- 2 -

on the conscience of the free world.

Later, we admired the fearless way in which you, Mr President, exposed and opposed, through your plays, the deceits and injustices of totalitarian rule, and with your colleagues in Charter 77 fought against overwhelming odds for basic human rights. That fight was long, hard and triumphant. It paved the way for the downfall of communism and oppression and for those few brief weeks last autumn when the people of Czechoslovakia, not relying on help from outside, but by their own unquenchable resolve to be free, at last regained their liberty.

It is with a very great sense of respect that I congratulate you on restoring a free Parliament and on returning your country into the mainstream of Europe's democracies, where you truly belong.

May I also say, as the British Prime Minister, how much it matters to Britain to be able to look once again to Czechoslovakia as a partner and a friend. There is a lot of history between us. President Masaryk used to trace our relationship back to 1382 and the marriage of our King Richard II to Anne of Bohemia.

But even then the links were not only dynastic but practical as well, because in the 1350s it seems that silver-miners came from Bohemia to demonstrate their skills in England - an earlier version, one might say, of the Know-How Fund.

The ties between our philosophers, our historians, our writers, have always been strong, from John Hus and Comenius, to the many Czechoslovak academics and scientists who found a home in British universities during this troubled century.

In the arts, we owe you an enormous debt. To cite one example, the finest record of London as it was before the Great Fire of 1666 is found in the engravings of the celebrated artist, Vaclav

TRANSCRIPT A - PM - PRAGUE - SPEECH - 18 SEPTEMBER 1990

- 3 -

Hollar. We admire the music of Dvorak and Janacek and Smetana, with its echoes of the deepest feelings of your country and your people.

In this century the fate of our two nations became even more closely linked. Two great statesmen - Masaryk and Benes - built the foundations of an independent Czechoslovakia while in exile during the First World War in London. Masaryk, who always looked kindly on his adopted home, wrote in his memoirs:

"English culture I hold to be the most progressive and the most humane, not that I think all the English are angels. But in their civilisation, the Anglo-Saxons have expressed humanitarian ideals the most carefully in theory and have practised them in higher degree than other nations."

Mr Chairman, I am afraid we have not always lived up to that tribute. We failed you in 1938 when a disastrous policy of appeasement allowed Hitler to extinguish your independence. Churchill was quick to repudiate the Munich Agreement, but we still remember it with shame.

Fortunately from 1939 on, we followed the advice of President Benes who wrote:

"When the fate of dynasties, regimes, states or nations is at stake, half-measures and compromises have never helped and never will."

Under Churchill we rose up against tyranny and oppression and fought from the very first day of the Second World War until the very last, a war in which many Czechoslovak airmen and soldiers came to Britain and fought valiantly alongside us.

TRANSCRIPT A - PM - PRAGUE - SPEECH - 18 SEPTEMBER 1990

- 4 -

We were honoured and delighted that some of those brave men or their widows were in Britain last week for the Battle of Britain celebrations. And thanks to your revolution, many of them are now honoured in their own country for the first time.

I was also proud to lay a wreath yesterday at the Memorial to some of our forces who fought and gave their lives in your country. Your decision to commemorate that wartime association by re-naming one of the squares in this beautiful town after Winston Churchill will be a lasting memory of our wartime comradeship which we cherish, for it expressed the true spirit of both nations.

It is in that spirit that Britain wants to help you through the difficult period which lies ahead, as you restore free institutions and a free economy to your people.

When your President came to Britain on a very successful visit in March, he said that Czechoslovakia needed ideas, cooperation and investment rather than charity. We can and will provide those things and a start has been made through the Know-How Fund.

And I hope my visit will encourage our businessmen to come here and invest. They will have in mind the tremendous reserves of skill and enterprise which made Czechoslovakia in the 1930s one of the great industrial powers of Europe, reserves which will now be harnessed to renew your strength.

But what gives us the greatest pleasure, Mr Chairman, is to see Czechoslovakia, and indeed Poland and Hungary, return once more to their rightful place in Europe.

TRANSCRIPT A - PM - PRAGUE - SPEECH - 18 SEPTEMBER 1990 .

- 5 -

In 1948, as he watched the Iron Curtain come down, Winston Churchill spoke of the need for a new unity of Europe from which no nation would be permanently outcast.

We never accepted during the Cold War years that Eastern Europe should be permanently outcast, although none of us, myself included, expected to see the collapse of communism come so swiftly and so dramatically.

Now that the Cold War is dead, and the barriers down, we must not lose time. The momentum which brought your freedom must now be harnessed to the task of reuniting Europe.

This is no time for the European Community to say that it is too concerned with its own development to take the longer view. We must grasp the opportunity which these great events in Eastern Europe give us to build afresh.

We should also pay due tribute to the courage of President Gorbachev, without whose vision these events could not have happened. But victory is not an end, it is a beginning. The first task is to ensure that democracy takes root.

It is not just a matter of establishing Parliamentary institutions, the powers of government must be limited, the rule of law must be firmly established, and people need to become accustomed once more to exercising personal responsibility.

In your celebrated New Year's Address, Mr President, you said, and it could not be put more eloquently:

"The best government in the world, the best Parliament and the best President cannot achieve much on their own and it would be wrong to expect a general remedy from them only. Freedom and democracy include participation and therefore responsibility from us all."

TRANSCRIPT A - PM - PRAGUE - SPEECH - 18 SEPTEMBER 1990

- 6 -

That is the real challenge. And I am sure that Czechoslovakia's people, with their long-established democratic traditions, are well placed to meet it.

The second essential is the market economy. The lessons we have all learned from experience since the last war is that regulation and central control of an economy do not lead to prosperity. It is ordinary enterprising people, given the freedom to follow their natural instincts in a system where markets are allowed to operate, who make themselves and their country prosperous.

Czechoslovakia has chosen this route and we admire the bold economic reforms which you are undertaking, painful as their short-term consequences may be. But then reform that is effective is usually painful. People will always persevere and endure hardship if they understand that it will lead to a better life. And they see the way people live, the freedom, the prosperity they enjoy, in the countries which practise the economies of liberty. As they see that, they will surely feel that a measure of sacrifice is worthwhile if it brings a better future for their children.

Your friends will help. Last week a team from Britain arrived in Prague to advise on privatisation on the basis of our own experience of its benefits over the last 11 years. We have been pioneers in this field and I can tell you - it works.

But in case you should conclude from this that uniting Europe requires you and the other countries of Eastern Europe to make all the effort while we in Western Europe sit comfortably and wait, let me make clear that it cannot and must not be like that.

(END OF TRANSCRIPT A, CONTINUED ON TRANSCRIPT B)

TRANSCRIPT B - PM - SPEECH - PRAGUE - 18 SEP 90

- 1 -

FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF SPEECH

GIVEN BY THE PRIME MINISTER, MRS. THATCHER,
TO THE FEDERAL ASSEMBLY IN PRAGUE
ON TUESDAY, 18 SEPTEMBER 1990

TRANSCRIPT B - (CONTINUED FROM TRANSCRIPT A)

PRIME MINISTER (CONTD)

A few weeks ago in the United States, I proposed - and I repeat today - that the European Community should declare unequivocally that it is ready to accept all the countries of Eastern Europe as members if they want to join, when their democracies are strong enough and when democracy has taken root. The Association Agreements which we have offered are intermediate steps but there must be the prospect of full - and I mean full, not second-class - membership for all European countries who wish to join us (applause) and just as the Community reached out in the 1970s to strengthen the new democracy in Greece, in Spain and in Portugal by offering them membership, so in the 1990s we should be ready to open our doors to the countries of Eastern Europe and that means that we for our part must create the sort of Community which you and the others in Eastern and Western Europe truly want to join, a European Community which is fair, which is open, which preserves the diversity and nationhood of each of its members.

No-one can travel in Eastern Europe without experiencing the desire to get away from bureaucracy and central control and without experiencing the strength of national feeling.

There is a very good historical analogy. When, in 1848, plans were being discussed in Frankfurt to unite all German-speaking peoples, the Czech historian, Frantisek Palacky, refused to take part saying: "We Czechs existed before Austria and we shall continue to exist after she has gone!" One could repeat today those words in a slightly different context:

"Czechs and Slovaks existed before Communism and will be there long after it has become a memory!" (prolonged applause and cheers)

The other institution which can help us to unite Europe is the Helsinki Accords. They brought hope to you and gave the West the legal basis on which to insist that Communist governments honour their commitments to human rights. Today, political reform is progressing so fast, that we should strengthen and extend the Helsinki Process first to ensure those rights and second, to enlarge political consultation throughout the whole of Europe, including also the United States and the Soviet Union. A year ago, who would have thought I could stand here and make that statement?

Mr. Chairman, I have made a proposal for a European Magna Carta to be agreed at the Summit in Paris this Autumn. Like its great predecessor in the year 1215, this would be a landmark of freedom from tyranny and a guarantee of fundamental liberties and I hope the proposal will have wide support in Eastern Europe. If we can create a great area of democracy stretching from the West coast of the United States right across to the Soviet Far East, that

TRANSCRIPT B - PM - SPEECH - PRAGUE - 18 SEP 90

- 3 -

would give us the best guarantee of all for security because democracies do not go to war with each other! (applause)

The CSCE is the only body which brings together all the European countries as well as the United States and the Soviet Union and we should fashion it into an institution where regular political consultation takes place not only about Europe's problems but those of the wider world as well.

We should also look for permanent sites for the Helsinki institutions. Your offer to host one of them in Prague is welcome and for my part, I should be happy to see it taken up.

I do not see the CSCE as offering a defence for Europe. Security is founded not only on ideals but on the will and the capacity to defend them with adequate military strength and for that we in the West will continue to rely on NATO, which has proved its worth, but that does not mean we have to stand fast on the status quo. The London Summit last June looked ahead to changes in NATO's strategy and force structures and to further far-reaching conventional arms control.

One key objective is this and one that Czechoslovakia knows only too well: it is to prevent any nation having disproportionate military power on our Continent. Limiting the offensive capability of forces in Europe will make it a safer and more stable place for all of us.

Mr. Chairman, my theme has been the need for unity and nothing better illustrates its benefits than the world's response to Iraq's invasion of Kuwait. Czechoslovakia of all countries needs no reminding that nations have to stand up to bullies and do so at once.

TRANSCRIPT B - PM - SPEECH - PRAGUE - 18 SEP 90

- 4 -

In contrast to 1938, the United States, Europe and indeed the wider world, have responded with an impressive display of unity to Saddam Hussein's aggression. The United Nations Security Council has acted swiftly and effectively in the way that its founders intended and the other day, we saw the President of the United States and the President of the Soviet Union stand together in Helsinki to demand Iraq's withdrawal and the restoration of Kuwait's legitimate government. In that new willingness to act together lies great hope for future peace, particularly here in Europe.

Mr. Chairman, it is a privilege to be invited to come here and talk to you and I could go on and make many more points but as a parliamentarian, I know very well the virtue of short speeches (applause) so may I put to you one final thought:

Over the past 40 years, we have grown accustomed to a divided Europe in which nothing much changed. There was little impetus to think constructively or adventurously about the future of our Continent. Now, all of a sudden, we have an opportunity to do just that but let us do it in a way which is true to Europe's traditions, not according to some abstract intellectual concept.

At the time when the world was divided into great empires - Sung China, the Ottoman Empire, the Mogul Empire - Europe developed the small state, sometimes based on the city, sometimes on the kingdom. While the empires I have referred to imposed a uniform system on all their peoples, it was the diversity of these small states that accounted for Europe's great artistic and intellectual renaissance, its Industrial Revolution, its love of freedom.

Europe's tradition is of the questioning spirit in the arts, the sciences and in politics, not as arid or destructive criticism

but always seeking positive answers. That spirit of variety, of love of freedom and justice, of variety rather than monotony, of active debate rather than passive acceptance, is very much part of Czechoslovakia's history - it was there in the year 1618 just as much as 1968 and 1989 - so let us preserve our diversity; it is what gives life its colour, its originality and its meaning. Let us be united not by building new bureaucratic empires but by our attachment to democracy and the rule of law, by our desire to preserve Europe's heritage, by our resolve never again to see Europe sundered into two hostile camps.

Mr. President, I have spoken today of a new Magna Carta for Europe. It was our Magna Carta drawn up nearly 800 years ago. It dealt with the grievances of the time in a practical way. It gave legal redress for the wrongs of a feudal age, but it was expressed in language which has had its impact on future generations. It put into words the spirit of individual liberty which has influenced our people ever since.

In its 39th clause, perhaps the most important of all, we find the guarantee of freedom under the law. This is what it said but remember it was nearly 800 years ago:

"No free man shall be taken, imprisoned, outlawed, banished or in any way destroyed, nor will we proceed against or prosecute him, except by the lawful judgement of his peers and by the law of the land." (applause)

These words have echoed down the centuries and their constant repetition helped powerfully to shape our national character.

You yourself have said, Mr. President, that Magna Carta was a source of inspiration for Charter 77 and for your long campaign for human rights in Czechoslovakia and so today, I would like to present you and leave with you a facsimile copy of the Magna Carta, to you, Mr. President, in recognition of the role you and many other men and women of fearless spirit and dauntless courage have played in the transformation of your country and through you, to the Czech and Slovak peoples as we welcome you back into the family of free nations, to be held in safe keeping by this Federal Assembly as you, the elected representatives of your people, set about your great task of creating lasting freedom and democracy in your beloved country. Thank you for the honour of addressing you (prolonged applause)

(END OF TRANSCRIPT B AND END OF WHOLE TRANSCRIPT)

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Hollar. We admire the music of evoked and evoked and that
its echoes of the deepest feelings of a people and its

In this century the fate of the two nations is
closely linked. Two great statesmen, Masaryk and Beneš,
founders of an independent Czechoslovakia, were
the First World War in London. Masaryk was the first
on his adopted home, and Beneš was the first

English culture. I would like to mention the names
and the work of Masaryk and Beneš. I would like to
English and the work of Masaryk and Beneš. I would like to
Any of the names of the work of Masaryk and Beneš. I would like to
the most beautiful and the most beautiful and the most beautiful
to fight. I would like to mention the names of Masaryk and Beneš.

Mr. Chairman, I would like to mention the names of Masaryk and Beneš.
tribute. We failed to do so in 1945. We failed to do so in
appeasement allowed Hitler to do what he wanted. Churchill
Churchill was quick to respond to the danger. I would like to
remember it with pride.

Following this I would like to mention the names of Masaryk and Beneš.
Beneš was the first

When the time of the danger was at hand, the names of Masaryk and Beneš
of state. I would like to mention the names of Masaryk and Beneš.
He did not fail. He did not fail. He did not fail. He did not fail.
Under the name of Masaryk and Beneš, I would like to mention the names of Masaryk and Beneš.

Today from the very beginning of the Second World War
very early, it was in which Masaryk and Beneš were the first
to fight with courage and bravery. I would like to mention the names of Masaryk and Beneš.

we were honoured and delighted that some of those brave men
or their widows were in Britain last week for the Battle of Britain
celebrations. And thanks to your revolution, men of their kind are
honoured in their own country for the first time.

I was also proud to lay a wreath yesterday at the Mausoleum
to some of our brave men who fought and gave their lives for their
country. Your decision to commemorate that war has done much to
re-name one of the corners of this beautiful city after a young
Churchill. It will be a first in the world of public honours and
we cherish it for the message it sends to our young people.

It is in that spirit that we have set up a special fund to help
the difficult period which lies ahead of us. We need to reform
institutions and to find solutions to our problems.

When your President came to Britain as a guest of our President's
visit in March, he said that we needed your help and your
cooperation and investment if they are to be able to do what
you do. These things are a start but they will not solve the
problem.

And I hope my visit will encourage our businessmen to come
here and invest. They will have to find the tremendous reserves of
skill and enterprise which have made us one of the world's
the great industrial powers of Europe. We need your help
harnessed to relief our situation.

But what gives us the greatest strength, Mr Zdenek, is to
see Czechoslovakia and indeed Poland and Hungary returning to
to their rightful place in Europe.

In 1946, as he watched the Iron Curtain close down Europe, Winston Churchill spoke of the need for a new unity of Europe. From that time, no nation would be permanently outcast.

We never accepted during the Cold War that the East European countries should be permanently outcast, although some of us, some of us included, expected to see the collapse of the Soviet Union, and so dramatically.

Now that the Cold War is finally over, we must not waste not lose time. The momentum which brought us to this point must be harnessed to the task of rebuilding Europe.

This is no time for complacency. The East European countries are too concerned with its own developments to take the steps which must grasp the opportunity which these great events have given Europe give us to build anew.

We should also pay due tribute to the leadership of Gorbachev, without whose vision this work would not have happened. But victory is not an end in itself. The task is to ensure that democracy takes root.

It is not just a matter of establishing the necessary institutions, the powers of government that be elected, and the rule of law must be firmly established, and we must lead the people accustomed once more to a free press, and a free market.

In your celebrated New Year's Address, Mr. Gorbachev said, and it could not be put more eloquently.

The best government in the world, the best Parliament and the best President cannot achieve anything if the people and it would be wrong to expect a general amnesty. There must be a free press, and a free market, and therefore responsibility, that is the only way to build a new Europe.

That is the real challenge. And I am sure that Czechoslovakia's people, with their long-established democratic traditions, are well placed to meet it.

The second essential is the market economy. The lessons we have all learned from experience since the last war is that regulation and central control of an economy do not lead to prosperity. It is ordinary enterprising people, given the freedom to follow their natural instincts in a system where markets are allowed to operate, who make themselves and their country prosperous.

Czechoslovakia has chosen this route and is addressing the economic reforms which you are undertaking, painful as their short-term consequences may be. But then reform that is effective is usually painful. People will always persevere and endure hardship, if they understand that it will lead to a better life. And they see the way people live, the freedom, the prosperity they enjoy, in the countries which practise the economies of liberty. As they see that, they will surely feel that a measure of sacrifice is worthwhile if it brings a better future for their children.

Our friends will help. Last week a team from Britain arrived in Prague to advise on privatisation on the basis of our own experience of its benefits over the last 11 years. We have been pioneers in this field and I can tell you - it works.

But in case you should conclude from this that uniting Europe requires you and the other countries of Eastern Europe to make all the effort while we in Western Europe sit comfortably and wait, let me make clear that it cannot and must not be like that.

(END OF TRANSCRIPT A. CONTINUED ON TRANSCRIPT B)

FROM JAMES LEE FOX OF RADIO TECHNICAL SERVICES

TRANSCRIPT OF SPEECH

GIVEN BY THE PRIME MINISTER, MR. BRADSHAW,

TO THE FEDERAL ASSEMBLY IN PRAGUE

ON TUESDAY, 18 SEPTEMBER 1990

TRANSCRIPT B - (CONTINUED FROM TRANSCRIPT A)

PRIME MINISTER (CONTINUED)

A few weeks ago in the United States, I proposed - and repeat today - that the European Community should declare unequivocally that it is ready to accept all the countries of Eastern Europe as members if they want to join, when the democracies are strong enough and when democracy has taken root. The Association Agreements which we have offered are intermediate steps but there must be the prospect of full - and I mean full - second-class membership for all European countries who wish to join us (applause) and just as the Community reached out in the 1970s to strengthen the new democracy in Greece, in Spain and Portugal by offering them membership, so in the future we should be ready to open our doors to the countries of Eastern Europe so that we and they for our part must create the sort of Community which you and the others in Eastern and Western Europe truly want to join - a European Community which is fair, which is open, which respects the diversity and particularity of each of its members.

No-one can travel in Eastern Europe without experiencing the desire to get away from bureaucracy and central control and without experiencing the strength of national feeling.

There is a very good historical analogy. When in 1900 plans were being discussed in Frankfurt to unite all German-speaking peoples, the Czech historian, Frantisek Palacký, refused to take part saying: "we Czechs existed before Austria and we will continue to exist after she has gone." We should repeat those words in a slightly different context:

"Czechs and Slovaks existed before the Communist Party and we will exist long after it has become a memory." (I changed up some of the cheers.)

The other institution which can help us to unite Europe is the Helsinki Accords. They brought hope to you and gave the West the legal basis on which to insist that communist governments honour their commitments to human rights. Today, political reform is progressing so fast, that we should strengthen and extend the Helsinki Process first to ensure those rights and we are to extend political consultation throughout the whole of Europe, including also the United States and the Soviet Union. A year ago, we would have thought I could stand here and make that statement.

Mr. Chairman, I have made a proposal for a European Magna Carta to be agreed at the Summit in Paris this Autumn. Like its great predecessor in the year 1215, this would be a landmark of freedom from tyranny and a guarantee of fundamental liberties and I hope the proposal will have wide support in Eastern Europe. If we can create a great area of democracy stretching from the West coast of the United States right across to the Soviet Far East,

would give us the best guarantee of all for security because democracies do not go to war with each other! (applause)

The CSCE is the only body which brings together all the European countries as well as the United States and the Soviet Union and we should fashion it into an institution where regular political consultation takes place not only about Europe's problems but those of the wider world as well.

We should also look for permanent sites for the Helsinki institutions. Your offer to host one of them in Prague is welcome and for my part, I should be happy to see it taken up.

I do not see the CSCE as offering a defence for Europe. Security is founded not only on words but on the will and the capacity to defend them with adequate military strength and for that we in the West will continue to rely on NATO, which has proved its worth, but that does not mean we have to stand fast on the status quo. The London Summit last June looked ahead to changes in NATO's strategy and force structures and to further far-reaching conventional arms control.

One key objective is this and one that Czechoslovakia knows only too well: it is to prevent any nation having disproportionate military power on our Continent. Limiting the offensive capability of forces in Europe will make it a safer and more stable place for all of us.

Mr. Chairman, my theme has been the need for unity and nothing better illustrates its benefits than the world's response to Iraq's invasion of Kuwait. Czechoslovakia of all countries needs no reminding that nations have to stand up to battles and do so at once.

In contrast to 1938, the United States, Europe and indeed the wider world, have responded with an impressive display of unity to Saddam Hussein's aggression. The United Nations Security Council has acted swiftly and effectively in the way that its founders intended and the other day, we saw the President of the United States and the President of the Soviet Union stand together in Helsinki to demand Iraq's withdrawal and the restoration of Kuwait's legitimate government. In that new willingness to act together lies great hope for future peace, particularly here in Europe.

Mr. Chairman, it is a privilege to be invited to speak and talk to you and I could go on and make many more points but as a parliamentarian, I know very well the virtue of short speeches (applause) so may I put to you one final thought.

Over the past 40 years, we have grown accustomed to a divided Europe in which nothing much changed. There was little incentive to think constructively or adventurously about the future of our Continent. Now, all of a sudden, we have an opportunity to do just that but let us do it in a way which is true to Europe's traditions, not according to some abstract intellectual concept.

At the time when the world was divided into great empires - Sung China, the Ottoman Empire, the Mogul Empire - Europe developed the small state, sometimes based on the city, sometimes on the kingdom. While the empires I have referred to imposed a uniform system on all their peoples, it was the diversity of these small states that accounted for Europe's great artistic and intellectual renaissance, its Industrial Revolution, its love of freedom.

Europe's tradition is of the questioning spirit in the arts, the sciences and in politics, not an art of destructive criticism.

but always seeking positive answers. That spirit of variety, of love of freedom and justice, of variety rather than conformity, of active debate rather than passive acceptance, is very much part of Czechoslovakia's history - it was there in the year 1818 just as much as 1968 and 1989 - so let us preserve our diversity. It is what gives life its colour, its originality and its meaning. Let us be united not by building new ideological edifices, but by our attachment to democracy and the rule of law, by our desire to preserve Europe's heritage, by our resolve never again to see Europe sundered into two hostile camps.

Mr President, I have spoken today of a new Europe, but Europe it was our magna carta drawn up nearly 700 years ago. It dealt with the privileges of the time, it gave legal redress for the wrongs of a feudal age, but it was expressed in language which has inspired successive generations. It put into words the spirit of individualism which has influenced our people ever since.

In its 700th anniversary, we should find the guarantee of free enterprise, but remember it was nearly 500 years ago.

No free man shall be taken, imprisoned, outlawed, banished or in any way punished, unless by the lawful judgment of his peers and by the law of the land.

These words have echoed down the centuries, and their repetition helped powerfully to shape our liberties.

You yourself have said, Mr. President, that Magna Carta is a source of inspiration for Chapter 27 and for your work and for human rights in Czechoslovakia and so I would like to present you and leave with you a terminal copy of the Magna Carta to you, Mr. President, in recognition of the role you and many other men and women of fearless spirit and dauntless courage have played in the transformation of your country and the freedom of the Czech and Slovak peoples as we will be proud to add to the family of free nations, to be held in safe keeping by this Federal Assembly and the elected representatives of your people in the task of promoting lasting freedom and democracy in your country. Thank you for the freedom of expression and for your applause.

(END OF TRANSCRIPT B AND END OF WHOLE TRANSCRIPT)

MEETING RECORD
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10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 September 1990

Dae
Steph.

PRIME MINISTER'S MEETING WITH PRESIDENT HAVEL
OF CZECHOSLOVAKIA

The Prime Minister had a meeting this afternoon in Prazsky Hrad Castle in Prague with President Havel. The President was accompanied by a large team including Prime Minister Calfa, Foreign Minister Dienstbier, the Head of his Private Office, Prince Schwarzenberg, his Foreign Policy Adviser Mr. Vondra, the Czechoslovak Ambassador in London, the Prime Minister's Diplomatic Adviser, Mr. Vosicky, the President's spokesman Mr. Zantovsky and Mr. Vanicek of the Foreign Ministry. HMA Prague was also present.

The Prime Minister said it was marvellous to be in Czechoslovakia at last. She had not been willing to come under the former regime. She had in any case always felt rather diffident about a visit because of Munich. But after President Havel's visit to Britain earlier this year, she had felt the way was open. She looked forward to hearing about the political situation in Czechoslovakia and progress with economic reform. She would also be interested to know how President Havel saw the future of Europe and Czechoslovakia's role in it. Her own view was that the European Community should make a declaration that it was ready to offer membership to the Eastern European countries as soon as they were politically and economically ready for it. She would also be interested to continue the discussion they had started in London about Europe's future security arrangements. On the bilateral front, she wished to tell the President that we would be abolishing visas for Czechoslovakia from 1 October. She would also ask for his help in securing a frequency for the BBC World Service to re-broadcast their output.

President Havel said he very much welcomed the news about the visas and hoped the Prime Minister would announce it at her Press Conference. He would be seeing the Director of the Czechoslovak Radio the following day and would raise the question of frequencies with them. The BBC was the best known broadcasting institution in the world and he had been a regular listener for many years: indeed it had often been his main source of information about what was going on in the world. Radio Free Europe had already been granted a frequency, no doubt because

they had been more aggressive in pressing their request than had the BBC.

President Havel continued that the Prime Minister would no doubt discuss economic matters with Prime Minister Calfa, so he would comment on them only briefly. The Czechoslovak Government had reflected carefully over several months before taking its decision about future economic policy. Perhaps they had taken too long. But the phase of thinking was over and they were now going into action. The first step was the privatisation of small business. Thereafter they would be moving to convertibility of the currency and then privatisation of large-scale industry. All those steps needed numerous laws. The resistance of the old economic structures had proved rather stronger than expected: but that only made him more determined that the Government should go ahead vigorously.

President Havel said that the main political task was to work out the balance of power between the Federation and the two Republics. This would not be painless: but equally it would not be as bad as it might look from outside. The Slovak people were looking for a democratic and legal expression of their national identity for the first time in their history. A way must be found to accommodate them. More generally, the task was to build a stable political spectrum, stretching from right to left. This was still only in its early stages, which was why there had to be new elections in two years time.

Turning to Europe, President Havel said that he made a distinction between three types of European structures. The first type consisted of the institutions which had proved themselves and should be preserved, while opening themselves to Eastern Europe. In this context, Czechoslovakia was particularly grateful for what the Prime Minister had said about the European Community in her Aspen speech, which he had read and admired. NATO was one of the institutions which had proved successful, saving Western Europe from the totalitarian system. He did not propose that it should be dissolved: he saw it as a pillar of Europe's future security structure. But it would also have to change, not least because it was losing its adversary.

The second type of institution was those which were out of date and had lost their purpose. The best example was the Warsaw Pact. The members were working out a peaceful self-liquidation of the Pact, indeed the process had already started. But they did not wish to hurt the prestige of the Soviet Union: and he had received a letter from President Gorbachev thanking him for allowing the process of liquidation to be carried out with dignity. The members should not just bail out: they should transform the structure into something else. The Political Consultative Committee of the Warsaw Pact would meet in November: and it would probably be possible to announce further important steps towards liquidation of the military structure of the Pact by the time of the CSCE Summit.

President Havel continued that the third type of institution was those which needed to be developed for the future. Principal among these was the CSCE. Czechoslovakia

wished to see it institutionalised and would like to host a political secretariat. In the same class were various regional groupings like the pentagonale. All this fitted his picture of a united Europe of states and nations living in friendship. In this context, President Mitterrand's idea of a European Confederation was of interest. But much more relevant was the Prime Minister's proposal for a European Magna Carta, setting out the rights and duties of European citizens. This would be an excellent cornerstone for the future European order.

Turning finally to bilateral issues, President Havel said that privatisation was of major importance to Czechoslovakia as a step towards creating a market economy. He was grateful for the assistance which Britain was giving. Other forms of help would be welcome, in particular a stabilisation fund to be financed by the European Community and the United States. He was particularly pleased with the advance of cultural relations and the decision to re-open the British Council in Prague and in Bratislava. He would also give his support to a frequency for the BBC World Service, because he believed in promoting cultural and information contacts of every kind.

The Prime Minister said she would like to comment briefly on all these points. Czechoslovakia was embarking on one of the most awesome tasks imaginable: a transformation from the Communist structure to that of a free society. There was a general expectation that this would be easier for Czechoslovakia than for most other Eastern European countries, because Czechoslovakia had experience of a market economy in the past and people who could revive it. President Havel commented that unfortunately earlier legal structures had been overrun by centralisation. But there was great creative potential among Czechoslovakia's people, and those who were returning from exile abroad. The Prime Minister said that privatisation was not something which could be introduced quickly. It needed a structure of law and rights, otherwise you would not persuade people to invest.

Moving on to political developments, the Prime Minister said she had one piece of advice and that was not to let the centre fragment. A plethora of small parties was not the recipe for getting things done. It meant coalitions and delay rather than decisions: and Czechoslovakia needed clear decisions.

Turning to Europe, the Prime Minister said she felt very strongly that the Association Agreements which the European Community offered to Eastern Europe must carry with them the implication that full membership would be available as soon as the structure of political and economic liberty was in place. She would do her best to ensure that this position was adopted by the Community as a whole. She hoped we could avoid too tight a Community. If the European Community became inward-looking, it would lead to the world breaking up into blocs. She agreed with the President that we must keep NATO, not least because it was the institution which held together the United States and Europe. Increasingly NATO would have to be ready to defend free world interests outside Europe. We still did not know for sure what would happen in the Soviet Union. And we faced a world in which

more and more countries were likely to obtain nuclear weapons and the means to deliver them. So it was important to stay strong in defence. She also agreed with the President on the need to extend the CSCE's political role. She had proposed that there should be twice-yearly meetings of Foreign Ministers. We would be very happy to see Prague as one of the seats of the CSCE institution.

The Prime Minister said that, in bilateral relations, we would gladly do as much as we could to help Czechoslovakia, through the Know How Fund and with exchanges.

The Prime Minister said there were bound to be questions at the press conference about the Gulf. She and the President should say that they both stood fully by the United Nations Resolutions. President Havel said there was no difference between the British and Czechoslovak position on the Gulf - except that Czechoslovakia had no fleet. But they had offered to send a field hospital.

President Havel said that he very much enjoyed hearing the Prime Minister's views in a face-to-face meeting: they came over very clearly, whereas the Press sometimes distort them.

I am copying this letter to John Gieve (HM Treasury), Simon Webb (Ministry of Defence), Martin Stanley (Department of Trade and Industry) and Sonia Phippard (Cabinet Office).

*Yours sincerely,
Charles Powell*

CHARLES POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office

MEETING Record

SUBJECT CC MAUTZ



10 DOWNING STREET

LONDON SW1A 2AA

From the Private Secretary

17 September, 1990.

Dear Stephen,

PRIME MINISTER'S MEETING WITH THE PRIME MINISTER OF THE CZECH
REPUBLIC AND THE CHAIRMAN OF THE CZECH NATIONAL COUNCIL

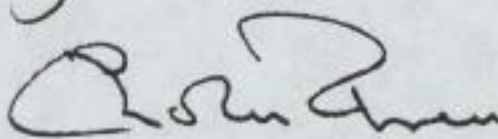
The Prime Minister had a talk this morning with Mr. Petr Pithart, Prime Minister of the Czech Republic, and Mrs. Dagmar Buresova, Chairman of the Czech National Council. Mrs. Buresova did most of the talking.

Mrs. Buresova gave an account of the work of the Czech National Assembly. She believed they had a lot to learn from the British Parliament. Their aim was to create a State governed by the rule of law. It was a complex task, because three Constitutions were being prepared simultaneously in Czechoslovakia. They had been greatly inspired by the Prime Minister's proposal in her ASPEN speech for a European Magna Carta. They were preparing a Declaration of Human Rights, which would be the basis for all three Constitutions. Another major plank in their programme was extensive de-centralisation. New local government laws were being enacted, and there would be local elections on 24 November. All this went hand in hand with privatisation, where again they had a lot to learn from the British experience.

The Prime Minister commented on the enormous change which Czechoslovakia was going through in a very compressed timescale. She would be very pleased if Mrs. Buresova and Mr. Pithart were to visit Britain to see something of our experience. Had they decided on the distribution of power between the Federal Government and the two Republics? Mr. Pithart said that the basic principles had been agreed, but there was a lot of argument about the details. The Prime Minister commented that the experience of democracy was heady. But the time came when you had to take decisions, otherwise you could go on arguing interminably. Mrs. Buresova said this was precisely the problem. Civic Forum needed to introduce structures, discipline and internal organisation. The Prime Minister spoke of the need to use freedom positively. Democracy did not mean that people no longer had to be given a lead. Mrs. Buresovasova said she hoped the Prime Minister would get over this message to Czechoslovakian Members of Parliament. After forty years of totalitarian rule, people did not like being guided. They thought in terms of direct democracy. The Prime Minister recalled that she had heard something similar from the new Mayor of Moscow, who had told her that people no longer recognised any authority.

Mr. Pithart recalled that the present Parliament was only a Constituent Assembly, and there would be further elections within two years. He was not convinced that the electoral system chosen for the first elections was a good one. It would be better to go for something similar to the British method. The Prime Minister asked what the biggest practical problems facing Czechoslovakia were. She had heard that life expectancy was actually falling. Mrs. Buresova said that environmental problems were certainly very high on the list. President Havel had put it well when he said that the present generation were living at the expense of the future. The previous regime had given no importance to individuals. The Prime Minister said that Czechoslovakia could take heart from being very much further advanced than the Soviet Union. It would make Mr. Gorbachev's task easier if Czechoslovakia could show that democracy and a market economy worked. He would then be able to point to it as an example of what could be done.

I am sending copies of this letter to Simon Webb (Ministry of Defence) and Sonia Phippard (Cabinet Office).

Yours sincerely,


C.D. POWELL

Stephen Wall, Esq.,
Foreign and Commonwealth Office.

MEETING RECORD
 SUBJECT CC MASTER



10 DOWNING STREET

LONDON SW1A 2AA

17 September 1990

From the Private Secretary

Dee Sample,

PRIME MINISTER'S MEETING WITH THE CZECHOSLOVAK
 PRIME MINISTER

The Prime Minister had a brief meeting with the Czechoslovak Prime Minister this afternoon, following her talk with President Havel. Mr Calfa was accompanied by the Czechoslovak Ambassador and a number of officials. The acoustics were not very good and I could not pick up the whole of the conversation, which was anyway fairly desultory. But I have attempted to summarise the main points.

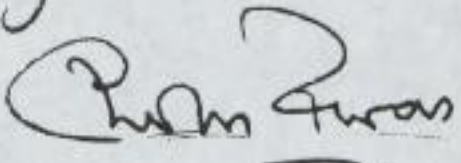
The conversation was mostly concerned with Czechoslovakia's economic difficulties. Mr Calfa said there were no great problems yet with unemployment, but it would certainly rise by the turn of the year, and might reach one million. In his management of the Czechoslovak economy, his aim was to achieve a soft landing. It was important to be realistic about the speed of economic change. The Prime Minister commented that it was usually better not to drag out the hardship. She thought Poland was a good example of rapid and determined action. The Government must explain what it was doing and why it was necessary: people would then respond.

The Prime Minister asked whether the division of power between the regions and the centre had yet been settled. Mr Calfa commented that there was scope for conflict over this, but he thought the issue could be kept under control. The differences were not so much over policy, but because each of the Republics wanted to take their decisions autonomously. The Prime Minister asked to what extent nationalism was a factor. Mr Calfa said there was a Slovak Nationalist Party, but it did not have much support. The Prime Minister commented that it was always difficult to decide what should be the unit to which the principle of self-determination applied.

Mr Calfa lamented the lack of interest by British firms in joint ventures in Czechoslovakia. Their performance compared badly with companies from Germany, Italy and France. Very favourable terms were available for such joint ventures, including ten year tax holidays.

Mr Calfa raised a problem over Czechoslovakia's relations with the European Community. The Commission had said that the United Kingdom was proving an obstacle to tariff reductions for Czechoslovakia, by trying to link them with negotiations on the Association Agreement. All Czechoslovakia was seeking was the same treatment as provided for Poland and Hungary since the beginning of the year. The Ambassador explained we were not in any way opposed to Czechoslovakia receiving the same treatment: the only question was the method by which it was to be achieved.

I am copying this letter to Martin Stanley (Department of Trade and Industry) and to Sonia Phippard (Cabinet Office).

Yours sincerely,


CHARLES POWELL

J S Wall Esq
Foreign and Commonwealth Office

MR HAVEL\PRIME MINISTER - PRAGUE - SPEECH - 17 SEPTEMBER 1990

- 1 -

FROM EGMG FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF SPEECHES

GIVEN BY THE PRIME MINISTER, MRS THATCHER,
AND CZECHOSLOVAK PRESIDENT, MR VACLAV HAVEL.

AT PRAGUE CASTLE, PRAGUE.

ON MONDAY, 17 SEPTEMBER 1990

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MR HAVEL:

Distinguished Madam Prime Minister, Ladies and Gentlemen,
dear Guests.

Allow me to extend to you and to your distinguished
delegation my welcome to Prague Castle. My pleasure in welcoming
you is all the greater in view of the fact that this is your first
truly historic visit to Czechoslovakia.

This visit is taking place at a dramatic time in which our
long cherished desire for freedom and democracy is becoming a
reality. Figuratively speaking, we might say that an entirely new
space has opened up before us, we are already beginning to get a
feeling of its greatness, but we are only learning to find our way
in it.

This may be one of the reasons why our movements in that
newly acquired space so far have been somewhat hesitant and
uncertain. It is only gradually that we are getting accustomed to
the fact that the coordinates of these movements are determined
first and foremost by our own will and courage.

MR HAVEL\PRIME MINISTER - PRAGUE - SPEECH - 17 SEPTEMBER 1990

- 2 -

Fortunately enough, there are a number of points to which we can hold on in this space so that we may now proceed. One of those points consists in our reawakened consciousness of our affiliation with the mainstreams of European civilisation which is giving rise to the need to strengthen our orientation to the countries that have not fallen victim to the communist totalitarianism and that have remained faithful to the well-tried values of the European humanistic and liberal traditions.

The United Kingdom holds an entirely unique position among those countries. Let me therefore express my high regard for the immense civilisation contribution that your country has given to the world. Let me also assure you that the same respect and esteem is shared also by my fellow-countrymen, for whom your culture and your national values have always represented an indisputable positive standard. We could find countless proof of that and it would be too long to enumerate them all.

However, I cannot fail to mention here that it was your country that became at the time of the Nazi occupation the headquarters of the Free Czechoslovak Government headed by President Venez (phon) and that offered refuge to thousands of our citizens who were fleeing prosecution.

In this year when we are commemorating together with you the 50th anniversary of the Battle of Britain, we are remembering with hasten intensity those of our people who were fighting against the common enemy in the ranks of your army.

For long decades in the past we were practically isolated from Europe. When I came to visit you in March this year it was a time of opportunities newly opened. Now the time has come for concrete deeds.

MR HAVEL\PRIME MINISTER - PRAGUE - SPEECH - 17 SEPTEMBER 1990

- 3 -

I am happy to be able to inform you today that our government has already put forward the so much abated? scenario of our economic record and that the Parliament is due to consider soon the basic laws on privatisation. The path we have chosen will not be easy, but we realise that this is the only possible path we can go and we also realise that we shall not be alone there.

It fills me with joy that your visit represents a promise for the future in this regard. I expect that it will open up new opportunities for cooperation in trade and economy and that it will make it possible that the Czechoslovak market gradually opens up for British investments and for the products of the advanced British industry, especially your experience in the field of privatisation, of whose crucial significance we are aware are regarded by us as particularly valuable. Hopeful developments have been noted also in the fields of culture, science and education.

Let me take this opportunity to express to you, Distinguished Prime Minister, my thanks for your personal initiative in the organization of the Know-How Fund, through which experience and expertise, so much needed for the revival of all spheres of our lives, are already coming from the United Kingdom to this country.

Our goal is to achieve full integration into the new Europe. We are interested in concluding an agreement on Association with the European Community. We wish to contribute in an active manner to the development and intensification of the Helsinki Process that is under way within the framework of the Conference on Security and Cooperation in Europe.

Now, as before, we shall continue to attach great importance to the question of human rights and individual civic freedom. We have therefore welcomed your vision of a European Magna Carta as a

MR HAVEL\PRIME MINISTER - PRAGUE - SPEECH - 17 SEPTEMBER 1990

- 4 -

sort of cornerstone for a future united Europe. It is not without interest that we in Czechoslovakia, too, are considering an annex of the same kind.

Before the end of this year, in fact in the autumn, all the three parliaments - the Czechs, the Slovaks as well as the federal one - should adopt a fundamental constitutional bill that would guarantee the basic rights and freedoms of our citizens.

Distinguished Madam Prime Minister, let me conclude by expressing to you personally and to your country our gratitude for the principal stance and attention that you have always accorded to human rights. I believe that after years of oppression, this has now borne fruit.

Today we are already dedicating ourselves to the values that have always been our inherent features: tolerance, respect for the individual, for his ideas and his work, for freedom and democracy.

Distinguished Madam Prime Minister, let me welcome you and propose a toast to you and all those who have come with you.

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PRIME MINISTER:

Mr President, Ladies and Gentlemen, Thank you very much for that wonderful speech. May I reply briefly because I shall be speaking at greater length tomorrow.

I have long wanted to come to Prague, both personally and representing my country, because Prague for centuries has been at the crossroads of European history. It was so especially in the 17th century, but even more so in this century.

Of my generation, Prague represents something very special - a great European capital - and we are delighted to welcome it back into the comity of free nations. I was really waiting to come until this country had a new re-birth of freedom. And it came, Mr President, and you played such a part, in the very best possible way. It came up as a great swelling up of the feeling and human spirit of the people, it came up on the part of the people, as you said the powerless, to overthrow the great powers and become a free country once again.

As you said, Mr President, this last weekend was the 50th anniversary of the Battle of Britain which was fought in the air and won by British pilots and also by Czech pilots and Polish who fought with us. And this weekend, under the leadership of Her Majesty The Queen, we honoured all your people who helped us so much in that vital battle.

It was a great joy when you came to visit Britain, Mr President, and British people welcomed you with their hearts both because of everything you had done to establish freedom in Czechoslovakia, and because that once again the people of Czechoslovakia had in fact become free.

MR HAVEL\PRIME MINISTER - PRAGUE - SPEECH - 17 SEPTEMBER 1990

- 6 -

This has been a remarkable century, it has seen the rise and fall of communism, it saw the rise and fall of Nazism. You have been involved in both and have helped to defeat both. Both attempted to say that the collective and the government was more important than the individual. Both attempted to impose their theory by force and by internal oppression. Human spirit defeated both of them and once again liberty and justice will triumph.

You have great decisions ahead, they are exciting, they are a challenge, they involve new attitudes, reviving attitudes which people thought were no longer there.

This last decade of this century will show the true triumph - the triumph of liberty under your great leadership, Mr President, and it is such a great honour, privilege and delight to be here, truly to see it for myself and to share it with you.

Thank you. To friendship and the future between our two peoples. Mr President, your very good health.

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(END OF TRANSCRIPT)

FROM [unclear]

[unclear]

GIVEN BY THE PRIME MINISTER [unclear]

THE [unclear] [unclear] MR [unclear]

AT PRAGUE CASTLE, PRAGUE

ON MONDAY 17 SEPTEMBER 1990

MR HAVEL

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Fortunately enough, there are a number of points to which we can hold on in this space so that we have not drifted. One of these points consists in our renewed and more consistent of our efforts with the mainstream of European civilization, which is bound up to the need to strengthen our orientation to the west, which has not fallen victim to the commonest kind of fallacy, which is that we remained faithful to the spiritual values, the humanistic and liberal traditions.

The United Kingdom is one of those countries, one of those immense civilizations, one of those worlds. Let us share also by its values, its national values, have always represented a standard. We could find ourselves too long to cooperate them all.

However, I should like to mention one country that people at the time of the revolution, headquarters of the Free Czechoslovak Movement, to which I have Venez (phon) and that offered refuge to thousands of people who were fleeing oppression.

In this case when we are celebrating the 50th anniversary of the revolution, we should hasten interests, to which we have a common ground in the name of peace.

For long decades we have been waiting from Europe. When I came to power, it was a time of opportunities, a time of concrete deeds.

I am happy to be able to inform you today that our government has already put forward the so much awaited scenario of an economic record and that the Parliament has adopted the necessary laws on privatisation. The path is clear, however, and we realise that this is the only possible path, although we also realise that we shall not be alone there.

It fills me with joy that your visit represents a step towards the future in this regard. I expect that I will see many opportunities for cooperation in the area of technology, science and make it possible that the investment climate in the Czech Republic will be attractive for British investments and for the interests of your own industry, especially in the area of science and technology, the fields of whose changes significance we are aware of, and which are particularly valuable. Cooperation in the fields of culture, education and sports will also be possible.

Let us take at least a few steps towards this goal. I am sure that the Prime Minister, by sharing your great personal interest in the organisation of your own country, will be able to draw on your expertise, which has been gained in the course of your long experience, and which, as you know, the Czech Republic is in need of.

Our goal is to create a favourable environment for the development of the Czech Republic. We are interested in your help in the area of technology, science and European cooperation. We are also interested in your help in the development and modernisation of the Czech Republic, which is under way within the framework of the cooperation with the European Community.

Cooperation in the area of technology, science and European cooperation is a very important part of the development of the Czech Republic. We are therefore very interested in your help in this regard.

sort of cornerstone for a future united Europe. It is not without interest that we in Czechoslovakia, too, are gradually moving towards a form of the same kind.

Before the end of this year, in fact, not only the Czech and Slovak three parliaments - the Czechs, the Slovaks and the joint parliament - should adopt a fundamental law which will not only guarantee the basic rights and freedoms of our citizens but will also

expressing to you personally, and in so doing, it is my hope that it will be the principal advance and acceptance of what has been the basic principle of human rights. I believe that a fundamental law of this kind will now bear fruit.

Today we are all working to ensure that the principles which have always been our guiding light - the principles of democracy, of the individual, of the rights and freedoms of the individual - are now being put into practice.

Disappointed as I am by the fact that we have not yet been able to propose a treaty to you and that we have not yet

PRIME MINISTER:

Mr President, ladies and gentlemen, I thank you very much for that wonderful speech. May I now very briefly begin to speak at greater length than I have.

I have long wanted to come to Prague, with permission of my government, representing my country, because Prague has been a city at the crossroads of European history. It was so in the 17th century, the 19th century, and the 20th century.

Of my political views, I have already spoken, and I will not repeat a great deal of what I have said. I will only say that I have come into the city as a free man, and I will stay here as a free man in this country, and I will stay here as a free man.

Mr President, I will not say anything more about the way. It is not a way of life, it is a way of thinking, a spirit of freedom, a spirit of responsibility. I have said the same things in many other places, and I will say the same things in this country.

As I have said, I will not say anything more about the anniversary of the Velvet Revolution. I will only say that it was won by the people of this country, and it was won with us. I will not say anything more about the Queen, and I will not say anything more about the vital interests of this country.

President, I will not say anything more about the because of the Czechoslovak Republic, and I will not say anything more about the Czechoslovak Republic.

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 1 -

FROM EGMG FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF JOINT PRESS CONFERENCE
GIVEN BY THE PRIME MINISTER, MRS THATCHER,
AND MR VACLAV HAVEL,
IN PRAGUE,

ON MONDAY, 17 SEPTEMBER 1990

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MR HAVEL:

I have met for the second time with the Prime Minister. The first time was during my visit to the UK last March; today we spoke about similar subjects but more specifically now. We met at the lunch and then the two delegations met.

We explained each other's opinion on various subjects, we spoke about the future of Europe and the future situation of Czechoslovakia in Europe as well as the existing European institutions and structures, those that are promising, those that should be transformed in some ways and those that have proved meaningful as well as those that are left-overs of the past, losing the reason to be, as well as those that are about to originate.

I hailed the attitude the Prime Minister explained in her lecture at Aspen where she recommended the European Community to open magnanimously to the countries of central and Eastern Europe. I informed her about our interest in an Association Agreement with the European Communities and the Prime Minister was greatly interested in the domestic political situation in our country, as well as our economic reform, the process of privatisation.

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 2 -

She explained some of her views. For example, she emphasised the great importance of economic legislation and the fact that we should not postpone this legislation very much as it is important for the businessman to know the rules of the game, to know about their rights and their duties. She informed us about some experience from privatisation in the UK.

We agreed on our standpoint to the Iraqi aggression in the Middle East. I underlined that the Czechoslovak standpoint is as energetic as that of Great Britain.

We also referred to other fields of our bilateral relations - the British Council and the fact that we are going to support the idea that the BBC, ending the respective legislation, should be given some frequencies in our country. We also spoke about cultural, intellectual and educational contacts and I thanked the Prime Minister for her support of the Know-How Project which is of very great importance to us as it helps our people to learn to think and behave economically, it is a programme that trains managers.

I mentioned the recent English/Czechoslovak Conference on Privatisation which has taken place in this country as part of this programme, it has been a very friendly exchange of views and standpoints and it does not seem to me that there was anything in these views that should be controversial.

It did not seem to me that we displayed any substantial difference of opinion. So much for my brief introductory information! The Prime Minister will certainly gladly answer your more specific questions. After all, her stay in Prague has not come to an end yet. She has quite a dense programme ahead and tomorrow she will present a substantial speech in our Federal Assembly where probably she will again summarise her views of the political

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 3 -

situation and development in Europe, today and in the future.

I should probably also emphasise that the Prime Minister's idea, which she also expressed in her Aspen speech, that is that a kind of Magna Carta of rights and duties of European citizens, should be drafted as a certain starting point for future co-existence of free peoples and nations in Europe. This idea is meeting with great support and agreement in our country. All that is directed towards the implementation of the lofty ideas of free and democratic Europe is hailed by the Czechoslovak Party because we believe that it is only in this kind of Europe that we can find an honest place for ourselves.

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PRIME MINISTER:

Mr President, Ladies and Gentlemen. If I may add briefly to what the President has said.

I have long wanted to visit Czechoslovakia and in particular this historic city of Prague and it is especially appropriate that I do so when the whole country has enjoyed the rebirth of liberty. I am so very much aware that this has had a great deal to do with President Havel, with the efforts which he and other brave souls made during the years of oppression, always to say what they believed, and I am afraid they have suffered for it, but they have lived to see the joys of what they believed come true.

At home, we think that President Havel's inauguration speech and his speech to the United States Congress in particular were two of the masterpieces in the history of liberty. He had a tremendous reception when he came to the United Kingdom, we welcomed him gladly and I also would like to thank the people of Prague who have given me such a welcome here in return.

It is particularly fitting, too, that I come at a time when we are just celebrating in Britain the 50th anniversary of the Battle of Britain in which Czech pilots and airmen fought alongside ours and helped us to win that battle so that we were able to go on for long enough eventually to see the United States join us and the rest of Europe and fight that war to victory.

Now the President has given a most excellent account of our talks. May I just add one or two things. With regard to the development of Czechoslovakia's economy and democracy, we shall do everything possible we can to help. The President mentioned the Know-How Fund, we are anxious to have as many contacts as possible

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 5 -

between businessmen, between cultural organisations, between school children.

And also I am very happy to announce today that there will be, from 1 October, no visas necessary for citizens of Czechoslovakia to come to Britain. I hope that will help them to come to our country more quickly and perhaps more of them to come.

With regard to the new European Community, you know the view that I have always taken is that this is not an exclusive club but should be an outward looking organisation. It should always be prepared, in Association Agreements with countries of Eastern Europe, to hold out the possibility of full membership the moment these countries, including Czechoslovakia, have got in place the full structure of political and economic liberty. That would be very much in keeping with the history of the wider Europe because of course the word Europe goes much wider than the Community. And we look forward to the day when we can welcome the newly-free countries of Eastern Europe, in particular Czechoslovakia, to be a member of the European Community.

We discussed defence and security. They have always been very appropriate. I think our staunchness in defence of what we believed was part of the reason which eventually led the leadership of the Soviet Union to take a different course of action and set their steps on the road to democracy. It is important that we retain our security now, particularly as we have to do out-of-area duties as well as the defence of Europe itself.

We spoke of the future role of CSCE. In my view it has a very important role. I look at it this way. The European Community, and perhaps an enlarged one, is the centre of our economic policy. NATO, the North Atlantic Treaty Organisation,

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 8 -

including both Europe and Canada and the United States, is the heart of our defence policy and the defence of the free world, and some of us from NATO are prepared to go out-of-area in order to do other defensive duties, I will speak about that in a moment. But the CSCE, it began with the Helsinki Accords, which 35 of us signed, is the only forum in which the United States, Europe and the Soviet Union joins in discussion. I think it will be beneficial for us all if we meet regularly, if our Foreign Ministers meet regularly, say twice a year, so they know one another, they know the thinking and they shape the way in which we can go ahead into the future century.

Because this has been a very turbulent century, a century in which the forces of oppression have, I believe, now been overcome and we wish to go ahead in a more peaceful way but always having the means to defend ourselves against any possible attack in the coming century. And the main organisation which I think can shape that future is the CSCE and we in Britain would be very happy if Prague were the seat of one of the CSCE institutions.

And the last point, which the President pointed out and of course we had a few words about, is the situation in the Gulf and of course we agreed that the United Nations resolutions must in fact be fully upheld. So there is no difference between us on that and I understand that Czechoslovakia is helping with some field hospitals and such things, which for a country which has done so much for liberty, is absolutely in keeping with everything which she believes and she backs up her words with actions.

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 7 -

(QUESTIONS AND ANSWERS)

QUESTION (Czechoslovak TV):

Two questions: the first one is the European Confederation which is the suggestion of President Mitterrand which he proposed on his last visit to Czechoslovakia, is in some controversy for participation with the European Community, what in your opinion will this mean for the countries like Czechoslovakia and the similar socialist countries if the way for them to participate in this communication will be easier than to the European Community; and secondly I would like to ask you in connection with the French delegation, on President Mitterrand's delegation there were a lot of entrepreneurs and members of various businesses, you have no such presence in your delegation, does this mean that Britain is not prepared yet to invest in our economy?

PRIME MINISTER:

First, President Mitterrand suggested something called a Confederation of Europe. I am never quite certain what the words mean, I doubt very much whether they mean anything very different from what I have proposed in a more specific way. My proposal was that the countries of Eastern Europe, newly free, when they have the structure of liberty should have the right to apply to the European Community for full membership, that enlarges the present Europe to the wider Europe. I also believe that the countries of EFTA, the European Free Trade Area, one of those has already applied to join the Community and others may consider it.

Both of these consist of an enlarged Europe. I think possibly a Europe that would not have as many regulations as some countries

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 6 -

would wish it to have, and I think that if we have fewer regulations it would be better. But the point is not to have the present Twelve as a kind of exclusive club, but to enlarge it to include far more democracies so that we may be the more influential in our commercial dealings with the rest of the world.

In the meantime, the Council of Europe which consists of 17 members, I believe it is possible for Czechoslovakia and Hungary to join long before they have fully achieved their economic structure of liberty, and I think it would be very beneficial both for the members of the Council of Europe and for the countries of Eastern Europe to join, because again it means a forum where we have more discussion together.

We came over on our plane this time not with entrepreneurs, they have been over before and will be over again. I did bring the press, I hope you do not think that was a mistake! I think we brought 30 members of the press, I think that was quite a good thing to do and I hope they are enjoying it.

QUESTION:

(Inaudible)

MR HAVEL:

The Prime Minister and myself, we have agreed in our opinions about the aggression, so the only difference between England and Czechoslovakia is that we cannot send our navy or a fleet of ships because we have not got one. But we are of course trying to look at some other possibilities, how to save the evil which is embodied by the aggressive regime of President Hussein.

PRIME MINISTER:

The President has indicated that we both firmly uphold the United Nations resolutions, namely that Iraq must leave Kuwait completely and that the legitimate government of Kuwait must be restored. That is wholly in keeping with United Nations resolutions.

With regard to the other point which Michael Brunson mentioned, there has I think been a statement from the Foreign Secretary this afternoon. Have you got that statement? Are you sure that it has been made because I do not want to bounce it. Mr Reynolds you are sure it has been made?

MR REYNOLDS:

(Inaudible)

PRIME MINISTER:

Then you will know what it is. It is very unusual, the press usually know things before I do.

MR REYNOLDS:

(Inaudible)

PRIME MINISTER:

Well that could be good guess work. But I think that what you have heard is that we are expelling from London the Iraqi Military Attache and his staff, that is four people altogether.

QUESTION:

(Inaudible)

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 10 -

PRIME MINISTER:

In order to support France and the other countries, some of their Residences were attacked by Iraqi troops in Kuwait.

QUESTION:

Do you think that the news democracies - Poland, Hungary and Czechoslovakia - will enter the new Europe easier if they combine and coordinate their efforts or would you prefer to tackle each of us separately?

PRIME MINISTER:

I think it is not a question of tackling each of you separately, it is a question of when you will be ready. The whole structure of the European Community is the structure of economic freedom and that is what all the rules and regulations are about. And also it has to be fair competition between the industries in the Community. So the question is: when will you be ready? I think that will require quite major changes in your legal system, which takes a good deal of time, as well as getting enterprise and the spirit of enterprise working fully and of course private property and the law of contract and so on. That I think will take quite a time.

I wish you well and hope that it will come along as quickly as possible. But do not forget that you have embarked upon a task of enormous magnitude. I do not think it has ever been attempted, indeed it has not, to go from a totally oppressive system where the dictat of the state was everything, where there was no independent judiciary or law to which people can go to get their grievances redressed, there was no structure of company law, of contract law,

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 11 -

no structure of banks as we understand it. You have to get all that in place, it is there from other countries to learn how to do it, but you know it does take a time to get used to these different habits and customs.

I am sure you will do it as quickly as possible and of course it does mean that by far the greater part of your industry will have to be privatised so that we have fair competition. I am sure you will go about it with a will, I am sure that Czechoslovakia probably has a better chance than some other countries because there will be people here who remember and who know what it was like before communism came. So it really depends, I think, upon you when you will be ready to apply.

QUESTION:

Can I ask you both whether you think Czechoslovakia should take similar action to Britain and kick out some Iraqi diplomats; and President Havel, how confident are you that you will get Soviet troops out of Czechoslovakia peacefully and on time?

MR HAVEL:

As for the first question, right now I cannot give you an answer because it does not depend only on me, but it seems that the situation in fact is evolving in that direction.

For your second question, I think that the Soviet troops are leaving without having to be forced, so we made all the contacts in time, we adopted a schedule of departure and except for some local disputes about the damages they have done or about paying for certain buildings or land, the other things, I think, there are no problems in the timetable, the timetable has been observed by the

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 12 -

Soviet party.

QUESTION:

In several countries in Eastern Europe, the economic situation is deteriorating rapidly, in some of them, not in Czechoslovakia, but in a majority of East European countries there is a very real threat of social and political unrest. Would you under any circumstances consider a partial cancellation of the debts notably of Poland and Yugoslavia, a majority of which were led by governments and not by private banks?

PRIME MINISTER:

I think there is bound to be difficulty in going from a totally centrally-controlled economy where there is no discretion whatsoever on the part of management of factories to a free society in which each enterprise is free-standing and makes its own decisions under the structure of company law.

Quite apart from the company law structure, which is a big enough problem on its own, it takes quite some time for people to train to make their own decisions and take responsibility for them and for people who work for that enterprise to take a totally different attitude from that which they have taken when it was in the hands of the state. Also you will find that frequently they employed far too many people for an enterprise to be efficient and again it takes time to get them re-employed elsewhere and training. So there are bound to be a good many problems changing over from the one to the other.

Now when it comes to debt, we do our rescheduling or any alterations that we make in that, as you know, through the Paris

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 13 -

Club so we would have to do it together. We do look from time to time at the position and no doubt will be looking at it again.

QUESTION:

Prime Minister, during the Falklands war your firm and relentless attitude was a great success. Today Great Britain and the United States are again the first strength of those who are against Saddam Hussein's aggression, I am interested in your opinion concerning this aggression, especially in the light of recent events, for instance what happened at the Embassies in Kuwait, a political solution seems less probable now.

PRIME MINISTER:

It is perfectly clear, aggression must not be allowed to succeed nor to pay the aggressor. If so, there will be no international law again, there will only be international anarchy and no small states would ever feel safe. Fortunately this has come at a time when the Five Permanent Members of the Security Council - the Soviet Union, China, the United States, France and Great Britain - are able to act together and to get the majority, a very big majority, of the Security Council with them, and to make it clear that the resolutions of the United Nations will be upheld, totally.

QUESTION (VOA):

Prime Minister, late last year the Warsaw Pact publicly apologised for its invasion in 1968 of Czechoslovakia. Is it conceivable that Britain, with or without France, Germany and Italy, could also apologise for its role in the Munich Pact of 1938 and for Neville Chamberlain's insensitive comments about Czechoslovakia?

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 14 -

PRIME MINISTER:

I did so at a dinner which President Havel attended in No 10 Downing Street as our guest of honour when he came to Britain. I shall repeat what I said tomorrow.

QUESTION:

Mrs Thatcher, I have just one question regarding visa-free travel between Britain and Czechoslovakia. You told us this will come into effect on 1 October this year, can you tell us why Britain had been reluctant for such a long time to agree to visa-free travel between the two countries because there have been so many other European countries who have concluded this agreement with Czechoslovakia long before Britain did?

PRIME MINISTER:

I am sorry if you think we have taken too long. It is a wholly new regime, a great many people want to come to Britain, and I am sure you think it right that it should be free from 1 October. I am sorry we were not able to get it before that.

QUESTION (Czechoslovak News Agency):

President Havel and Prime Minister. One of the things I think Britain and Czechoslovakia have in common are preoccupations of a certain sector of the population over the reunification of Germany, did you mention this problem during your meetings and have you come to a common view concerning further development after German reunification in Europe?

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 15 -

MR HAVEL:

We passingly mentioned this subject also. I can repeat what I have said repeatedly. If the reunified Germany is a democratic state and continued to be so, we have no political reasons to fear it. Naturally, the energetic entrepreneurial spirit is coming here from Germany and we do not want to be unilaterally dependent economically on anyone, we have got bad experience with that. More normal competitive conditions are emerging in our country.

Nevertheless, it seems that while deciding on partners, the respective commissions should decide and contemplate the proposals should take as one aspect of their decision-making the political dimension. That is that the economic relations should be established in a balanced way, but they should be established in all parts so that we avoid sinking unawares into another lopsided dependence on someone else.

PRIME MINISTER:

Can I just add briefly. The reunification will take place on 3 October. A very important thing was: first, that the unified Germany should be a member of NATO, that has been agreed and the Soviet Union has agreed to it; and also that the unified Germany be a full member of the European Community so that when East Germany joins West Germany she automatically becomes a member of the European Community as part of the unified Germany. That means a number of transitional arrangements will have to take place, obviously because her industry is in a very different condition. But she will plug, as it were, straight into the whole of the Federal Republic's laws, she does not have to create her own, she will plug straight into the Federal Republic's company laws, her

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 16 -

contract laws, her banking law, and everything like that.

But we are having to negotiate transitional arrangements with the new unified Germany because it will affect the Common Agricultural Policy, it will affect fishing policy, it will affect fair competition and of course one of the most difficult things will be to ensure that East Germany comes up to our standards on environmental matters because I am afraid she has very severe pollution which we could not accept in the Community. But it is all going ahead.

And the third thing was of course that we get a new agreement with Germany, which we now have, because the old one was the previous four-power occupation both of Berlin and of East Germany, and we had to make strenuous efforts to get a new agreement so that insofar as they are required, our troops should stay there. Now it is not as a result of an occupation agreement, that is terminated, but as the result of an invitation by the new unified Germany.

All of that has been done and the transitional arrangements are being negotiated with the Community.

QUESTION (Paul Williams, Today):

Mrs Thatcher, is there a great risk that more Iraqi diplomats could be expelled from London if pressure is maintained by Saddam Hussein against our Embassy and other Embassies in Kuwait?

PRIME MINISTER:

We have taken action in response to what happened just very recently. And the Foreign Secretary was together with other Foreign Secretaries from the European Community and naturally when the European Community has given us support, when we have had to take

ME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 17 -

action on various things, we naturally wish to act together over the outrage of the Iraqi troops going into the Residences of certain members of the diplomatic community in Kuwait.

QUESTION (Larry Joseph, New York Times Magazine):

I have just returned from a trip to Slovakia, President Havel, where I met many people interested in being entrepreneurs and their one complaint is that your decision-makers are either too slow or too intent on making decisions for them. I would like to ask you and Mrs Thatcher, what is the art of letting go in economic policy and what is the art of not making decisions but letting them be made?

PRIME MINISTER:

It is the art of being a democrat. But it is the biggest change in attitude politically that can take place from a philosophy which says the state shall do everything and the individual and company have no significance, to saying as a democrat that the state's activities and powers shall be limited, they shall have a rule of law and otherwise the liberties of the individual and the company shall be extended. It is a change of attitude and in politics a change of attitude is the most difficult thing to bring about and it takes time.

MR HAVEL:

Things are not all in the hands of the centre, but the individual businesses still do not enjoy the measure of authority and freedom they should have. It is indeed a transitory stage because the businesses are still often not legal persons.

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 18 -

Nevertheless, the scenario of the economic reform our government has adopted envisages very fast attainment of legal personality on the part of the businesses. The administrative functions at the federal level or the state level should be restricted very fast. I firmly believe we are entering an era when economic reform will no more be the subject of contemplation and it will be implemented.

QUESTION (Financial Times):

President Havel, do you believe the British government and other Western governments are doing enough in terms of aid to Czechoslovak industry and government in helping the transition process, and specifically with regard to the UK whether the Know-How Fund is really enough for you and whether you would like to see more help in cash terms over the coming months?

MR HAVEL:

The Know-How Fund is extremely important for us. But that does not mean that we should not welcome other forms of assistance. Czechoslovakia is not going to resist a possibility to obtain some stabilising funds which are necessary in the process of further stabilisation of our currency. Czechoslovakia welcomes any kind of cooperation, establishment of joint ventures, and any kind of foreign investment. It happens now and then even that investors come and go without achievement only because our reform has not progressed far enough for us to be able to accept the proposals and immediately materialise them in real contracts.

Nevertheless, our interest is quite keen and we enjoy the amplitude of the scope of proposals. Businessmen from various

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 19 -

countries are coming with most varied proposals and certainly in my opinion we cannot complain about lack of interest, especially on the part of the private sector.

QUESTION:

First of all I would like to thank the President for his promise that very soon, even if after the enactment of some new legislation, the BBC will be better heard here. I think after 50 years we still have something to offer, including language courses in English.

QUESTION:

The listeners of the BBC World Service Czechoslovak section come to us with a lot of enquiries, especially young people who are learning English from the English by Radio courses, and they want to know about contacts with Great Britain. You have spoken about the exchange of young people, they will certainly be delighted about the visa-free travel you have announced today, but is there any possibility in the foreseeable future for them to come to Britain and take short-term jobs with a work permit, like au pairs for example, so that they can stay independently of institutions for a short while and learn the language properly and come back to their own country richer?

PRIME MINISTER:

I think the main exchanges would be done through the other most excellent organisation, the British Council, as you know, and

PRIME MINISTER/MR HAVEL - JOINT PC - PRAGUE - 17 SEPTEMBER 1990

- 20 -

together, you do marvellous work. I certainly will have a look at the other matter.

(END OF TRANSCRIPT)

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situation and development in Europe, today and in the future.

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Now the President has given a most excellent account of our talks. May I just add one or two things. With regard to the development of Czechoslovakia's economy and democracy, we shall do everything possible we can to help. The President mentioned the Know-How Fund, we are anxious to have as many contacts as possible

between businessmen, between cultural organisations, between school children.

And also I am very happy to announce today that there will be, from 1 October, no visas necessary for citizens of Czechoslovakia to come to Britain. I hope that will help them to come to our country more quickly and perhaps more of them to come.

With regard to the new European Community, you know the view that I have always taken is that this is not an exclusive club but should be an outward looking organisation. It should always be prepared, in Association Agreements with countries of Eastern Europe, to hold out the possibility of full membership the moment these countries, including Czechoslovakia, have got in place the full structure of political and economic liberty. That would be very much in keeping with the history of the wider Europe because of course the word Europe goes much wider than the Community. And we look forward to the day when we can welcome the newly-free countries of Eastern Europe, in particular Czechoslovakia, to be a member of the European Community.

We discussed defence and security. They have always been very appropriate. I think our staunchness in defence of what we believed was part of the reason which eventually led the leadership of the Soviet Union to take a different course of action and set their steps on the road to democracy. It is important that we retain our security now, particularly as we have to do out-of-area duties as well as the defence of Europe itself.

We spoke of the future role of CSCE. In my view it has a very important role. I look at it this way. The European Community, and perhaps an enlarged one, is the centre of economic policy. NATO, the North Atlantic Treaty Organisation,

including both Europe and Canada and the United States, is the heart of our defence policy and the defence of the free world, and some of us from NATO are prepared to go out-of-area in order to do other defensive duties, I will speak about that in a moment. But the CSCE, it began with the Helsinki Accords which 35 of us signed, is the only forum in which the United States, Europe and the Soviet Union joins in discussion. I think it will be beneficial for us all if we meet regularly, if our Foreign Ministers meet regularly, say twice a year, so they know one another, they know the thinking and they shape the way in which we can go ahead into the future century.

Because this has been a very turbulent century, a century in which the forces of oppression have, I believe, now been overcome and we wish to go ahead in a more peaceful way but always having the means to defend ourselves against any possible attack in the coming century. And the main organisation which I think can shape that future is the CSCE and we in Britain would be very happy if Prague were the seat of one of the CSCE institutions.

And the last point, which the President pointed out and of course we had a few words about, is the situation in the Gulf and of course we agreed that the United Nations resolutions must in fact be fully upheld. So there is no difference between us on that and I understand that Czechoslovakia is helping with some field hospitals and such things, which for a country which has done so much for liberty, is absolutely in keeping with everything which she believes and she backs up her words with actions.

(QUESTIONS AND ANSWERS)

QUESTION (Czechoslovak TV):

Two questions: the first one is the European Confederation which is the suggestion of President Mitterrand which he proposed on his last visit to Czechoslovakia, is in some controversy for participation with the European Community, what in your opinion will this mean for the countries like Czechoslovakia and the similar socialist countries if the way for them to participate in this communication will be easier than to the European Community; and secondly I would like to ask you in connection with the French delegation, on President Mitterrand's delegation there were a lot of entrepreneurs and members of various businesses, you have no such presence in your delegation, does this mean that Britain is not prepared yet to invest in our economy?

PRIME MINISTER:

First, President Mitterrand suggested something called a Confederation of Europe, I am never quite certain what the words mean, I doubt very much whether they mean anything very different from what I have proposed in a more specific way. My proposal was that the countries of Eastern Europe, newly free, when they have the structure of liberty should have the right to apply to the European Community for full membership, that enlarges the present Europe to the wider Europe. I also believe that the countries of EFTA, the European Free Trade Area, one of those has already applied to join the Community and others may consider it.

Both of those consist of an enlarged Europe, I think possibly a Europe that would not have as many regulations as some countries

FROM EGMA FOR CBI RADIO TECHNICAL SERVICES

TRANSCRIPT OF JOINT PRESS CONFERENCE
GIVEN BY THE PRIME MINISTER, MRS HATCHER,
AND MR VACLAV HAVEL

IN PRAGUE

ON MONDAY, 17 SEPTEMBER 1990

MR HAVEL:

I had a meeting for the second time with the Prime Minister. The first time was for nearly two hours in the afternoon of 14 March, and we spoke about a number of subjects but more specifically on the new meeting of the Council and then the two delegations met.

We explained each other's position on various subjects, we spoke about the future of Europe and the future existence of Czechoslovakia in Europe as well as the existing European institutions and structures, those that are remaining, those that should be discontinued in some way and those that have already disappeared as well as those that are left-overs of the past, taking the... as well as those that are about to disappear.

...the attitude the Prime Minister... where she recommended the European Community... of Central and Eastern Europe... interest in an Association Agreement with the... and the Prime Minister was greatly interested in the domestic political situation in our country, as well as our economic reforms, the process of privatisation.

She explained some of her views. For example, she emphasized the great importance of economic legislation and the fact that we should not postpone this legislation very much as it is important for the businessman to know the rules of the game, to know about their rights and their duties. She informed us about her experience from privatization in the UK.

He agreed on our standpoint to the Iraqi aggression in the Middle East. I underlined that the Czechoslovak standpoint is as energetic as that of Great Britain.

We also referred to other fields of our bilateral relations (the British Council) and the fact that we are going to support the idea that the BRU, ending the respective legislation, should be given some frequencies in our country. We also spoke about cultural, intellectual and educational contacts and I thanked the Prime Minister for her support of the Know-How Project which is of very great importance to us as it helps our people to learn to think and behave economically. It is a programme that trains managers.

I mentioned the recent English/Czechoslovak Conference on Privatization which has taken place in this country as part of this programme. It has been a very friendly exchange of views and standpoints and it does not seem to me that there was anything in these views that should be controversial.

It did not seem to me that we displayed any substantial difference of opinion. So much for my brief introductory information. The Prime Minister will certainly gladly answer your more specific questions. After all, her stay in Prague has not come to an end yet. She has quite a dense programme ahead and tomorrow she will present a substantial speech in our Federal Assembly where probably she will again summarise her views of the political

situation and development in Europe, today and in the future.

I should probably also emphasise that the Prime Minister's idea, which she also expressed in her Asper speech, that is that a kind of Magna Carta of rights and duties of European citizens, should be drafted as a certain starting point for future co-existence of free peoples and nations in Europe. Her idea of meeting with great support and agreement in our country. All that is directed towards the implementation of the lofty ideas of free and democratic Europe is hailed by the Czechoslovak Party because we believe that it is only in this kind of Europe that we can find an honest place for ourselves.

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PRIME MINISTER.

Mr President, Ladies and Gentlemen. If I may add briefly to what the President has said.

I have long wanted to visit Czechoslovakia and in particular this historic city of Prague and it is especially appropriate that I do so when the whole country has enjoyed the rebirth of liberty. I am so very much aware that this has had a great deal to do with President Havel, with the efforts which he and other brave souls made during the years of oppression, always to say what they believed, and I am afraid they have suffered for it, but they have lived to see the joys of what they believed came true.

At home, we think that President Havel's inaugural speech and his speech to the United States Congress in particular were two of the masterpieces in the history of liberty. He had a tremendous reception when he came to the United Kingdom. We welcomed him gladly and I also would like to thank the people of Prague who have given me such a welcome here in return.

It is particularly fitting, too, that I come at a time when we are just celebrating in Britain the 50th anniversary of the Battle of Britain in which Czech pilots and airmen fought alongside ours and helped us to win that battle so that we were able to go on for long enough eventually to see the United States join us and the rest of Europe and fight that war to victory.

Now the President has given a most excellent account of our talks. May I just add one or two things. With regard to the development of Czechoslovakia's economy and democracy, we shall do everything possible we can to help. The President mentioned the Know-How Fund, we are anxious to have as many contacts as possible

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including both Europe and Canada and the United States, is the heart of our defence policy and the defence of the free world, and some of us from NATO are prepared to go out-of-area in order to do other defensive duties, I will speak about that in a moment. But the CSCE, it began with the Helsinki Accords, which 35 of us signed, is the only forum in which the United States, Europe and the Soviet Union joins in discussion. I think it will be beneficial for us all if we meet regularly, if our Foreign Ministers meet regularly, say twice a year, so they know one another, they know the thinking and they shape the way in which we can go ahead into the future century.

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Both of these consist of an enlarged Europe, I think possibly a Europe that would not have as many regulations as some countries

would wish it to have, and I think that if we have fewer members it would be better, but the point is not to have the present Twelve as a kind of exclusive club, but to enlarge it to include far more democracies so that we may be the more influential in our commercial dealings with the rest of the world.

In the meantime, the Council of Europe which consists of 12 members, I believe it is possible for Czechoslovakia and Hungary to join long before they have fully achieved their economic structure of liberty, and I think it would be very beneficial both for the members of the Council of Europe and for the countries of Eastern Europe to join, because again it means a further step towards a free discussion together.

We came over on our plane this week not with enthusiasm as they have been over before and will be over again. I did find the press, I hope you do not think that was a mistake. I think we brought 30 members of the press, I think that may quite a good thing to do and I hope they are enjoying it.

QUESTION:

(Inaudible)

MR HAVEL:

The Prime Minister and myself, we have agreed in our comments about the aggression, so the only difference between England and Czechoslovakia is that we cannot send our navy or a fleet of ships because we have not got one. But we are of course trying to look at some other possibilities, how to save the world which is attacked by the aggressive regime of incumbent Russia.

PRIME MINISTER:

The President has indicated that we both firmly uphold the United Nations resolutions, namely that Iraq must leave Kuwait completely and that the legitimate government of Kuwait must be restored. That is wholly in keeping with United Nations resolutions.

With regard to the other point which Michael Brunson mentioned, there has I think been a statement from the Foreign Secretary this afternoon. Have you got that statement? Are you sure that it has been made because I do not want to bounce it. Mr Reynolds you are sure it has been made?

MR REYNOLDS:

(Inaudible)

PRIME MINISTER:

Then you will know what it is. It is very unusual. The press usually know things before I do.

MR REYNOLDS:

(Inaudible)

PRIME MINISTER:

Well that could be good guess work. But I think that what you have heard is that we are expelling from London the Iraqi Military Attache and his staff; that is four people altogether.

QUESTION:

(Inaudible)

PRIME MINISTER:

In order to support France and the other countries, some of their Residences were attacked by Iraqi troops in Kuwait.

QUESTION:

Do you think that the new democracies - Poland, Hungary and Czechoslovakia - will enter the new Europe easier if they combine and coordinate their efforts or would you prefer to tackle each of us separately?

PRIME MINISTER:

I think it is not a question of tackling each of you separately, it is a question of when you will be ready. The whole structure of the European Community is the structure of economic freedom and that is what all the rules and regulations are about. And also it has to be fair competition between the industries in the Community. So the question is: when will you be ready? I think that will require quite major changes in your legal system, which takes a good deal of time, as well as getting enterprise and the spirit of enterprise working fully and of course private property, and the law of contract and so on. That I think will take quite a time.

I wish you well and hope that it will come along as quickly as possible. But do not forget that you have embarked upon a task of enormous magnitude. I do not think it has ever been attempted, indeed it has not, to go from a totally oppressive system where the dictat of the state was everything, where there was no independent judiciary or law to which people can go to get their grievances redressed, there was no structure of company law, or contract law.

no structure of banks as we understand it. You have to get all that in place, it is there from other countries to learn how to do it, but you know it does take a time to get used to these different habits and customs.

I am sure you will do it as quickly as possible and of course it does mean that by far the greater part of your industry will have to be privatised so that we have fair competition. I am sure you will go about it with a will. I am sure that Czechoslovakia probably has a better chance than some other countries because there will be people here who remember and who know what it was like before communism came. So it really depends, I think, upon you when you will be ready to apply.

QUESTION:

Can I ask you both whether you think Czechoslovakia should take similar action to Britain and kick out some Iraqi diplomats and President Havel. how confident are you that you will get Soviet troops out of Czechoslovakia peacefully and on time?

MR HAVEL:

As for the first question, right now I cannot give you an answer because it does not depend only on me, but it seems that the situation in fact is evolving in that direction.

For your second question, I think that the Soviet troops are leaving without having to be forced, so we made all the contacts in time, we adopted a schedule of departure and except for some local disputes about the damages they have done or about paying for certain buildings or land, the other things, I think, there are no problems in the timetable, the timetable has been observed by the

Soviet party.

QUESTION:

In several countries in Eastern Europe, the economic situation is deteriorating rapidly, in some of them, not in Czechoslovakia, but in a majority of East European countries there is a very real threat of social and political unrest. Would you under any circumstances consider a partial cancellation of the debts notably of Poland and Yugoslavia, a majority of which were led by governments and not by private banks?

PRIME MINISTER:

I think there is bound to be difficulty in going from a totally centrally-controlled economy where there is no discretion whatsoever on the part of management of factories to a free society in which each enterprise is free-standing and makes its own decisions under the structure of company law.

Quite apart from the company law structure, which is a big enough problem on its own, it takes quite some time for people to train to make their own decisions and take responsibility for them and for people who work for that enterprise to take a totally different attitude from that which they have taken when it was in the hands of the state. Also you will find that frequently they employed far too many people for an enterprise to be efficient and again it takes time to get them re-employed elsewhere and training. So there are bound to be a good many problems changing over from the one to the other.

Now when it comes to debt, we do our rescheduling or any alterations that we make in that, as you know, through the Paris

Club so we would have to do it together. We do look from time to time at the position and no doubt will be looking at it again.

QUESTION:

Prime Minister, during the Falklands war your firm and relentless attitude was a great success. Today Great Britain and the United States are again the first strength of those who are against Saddam Hussein's aggression. I am interested in your opinion concerning this aggression, especially in the light of recent events, for instance what happened at the Embassies in Kuwait. A political solution seems less probable now.

PRIME MINISTER:

It is perfectly clear, aggression must not be allowed to succeed nor to pay the aggressor. If so, there will be no international law again, there will only be international anarchy and no small states would ever feel safe. Fortunately this has come at a time when the Five Permanent Members of the Security Council - the Soviet Union, China, the United States, France and Great Britain - are able to act together and to get the majority, a very big majority, of the Security Council with them, and to make it clear that the resolutions of the United Nations will be upheld, totally.

QUESTION (VOA):

Prime Minister, late last year the Warsaw Pact publicly apologised for its invasion in 1968 of Czechoslovakia. Is it conceivable that Britain, with or without France, Germany and Italy, could also apologise for its role in the Munich Pact of 1938 and for Neville Chamberlain's insensitive comments about Czechoslovakia?

PRIME MINISTER:

I did so at a dinner which President Havel attended in No 10 Downing Street as our guest of honour when he came to Britain. I shall repeat what I said tomorrow.

QUESTION:

Mrs Thatcher, I have just one question regarding visa-free travel between Britain and Czechoslovakia. You told us this will come into effect on 1 October this year. Can you tell us why Britain had been reluctant for such a long time to agree to visa-free travel between the two countries because there have been so many other European countries who have concluded this agreement with Czechoslovakia long before Britain did?

PRIME MINISTER:

I am sorry if you think we have taken too long. It is a wholly new regime, a great many people want to come to Britain, and I am sure you think it right that it should be free from 1 October. I am sorry we were not able to get it before that.

QUESTION (Czechoslovak News Agency):

President Havel and Prime Minister. One of the things I think Britain and Czechoslovakia have in common are preoccupations of a certain sector of the population over the reunification of Germany, did you mention this problem during your meetings and have you come to a common view concerning further development after German reunification in Europe?

MR HAVEL:

We passingly mentioned this subject also. I can repeat what I have said repeatedly. If the reunified Germany is a democratic state and continued to be so, we have no political reasons to fear it. Naturally, the energetic entrepreneurial spirit is coming here from Germany and we do not want to be unilaterally dependent economically on anyone, we have got bad experience with that. More normal competitive conditions are emerging in our country.

Nevertheless, it seems that while deciding on partners, the respective commissions should decide and contemplate the proposals should take as one aspect of their decision-making the political dimension. That is that the economic relations should be established in a balanced way, but they should be established in all parts so that we avoid sinking unawares into another lopsided dependence on someone else.

PRIME MINISTER:

Can I just add briefly. The reunification will take place on 3 October. A very important thing was first, that the unified Germany should be a member of NATO, that has been agreed and the Soviet Union has agreed to it; and also that the unified Germany be a full member of the European Community so that when East Germany joins West Germany she automatically becomes a member of the European Community as part of the unified Germany. That means a number of transitional arrangements will have to take place, obviously because her industry is in a very different condition. But she will plug, as it were, straight into the whole of the Federal Republic's laws, she does not have to create her own, she will plug straight into the Federal Republic's company laws, her

contract laws, her banking law, and everything like that.

But we are having to negotiate transitional arrangements with the new unified Germany because it will affect the Common Agricultural Policy, it will affect fishing policy, it will affect fair competition and of course one of the most difficult things will be to ensure that East Germany comes up to our standards on environmental matters because I am afraid she has very severe pollution which we could not accept in the Community. But it is all going ahead.

And the third thing was of course that we get a new agreement with Germany, which we now have, because the old one was the previous four-power occupation both of Berlin and of East Germany, and we had to make strenuous efforts to get a new agreement so that insofar as they are required, our troops should stay there. Now it is not as a result of an occupation agreement, that is terminated, but as the result of an invitation by the new unified Germany.

All of that has been done and the transitional arrangements are being negotiated with the Community.

QUESTION (Paul Williams, Today):

Mrs Thatcher, is there a great risk that more Iraqi diplomats could be expelled from London if pressure is maintained by Saddam Hussein against our Embassy and other Embassies in Kuwait?

PRIME MINISTER:

We have taken action in response to what happened just very recently. And the Foreign Secretary was together with other Foreign Secretaries from the European Community and naturally when the European Community has given us support, when we have had to take

action on various things, we naturally wish to act together over the outrage of the Iraqi troops going into the Residences of certain members of the diplomatic community in Kuwait.

QUESTION (Larry Joseph, New York Times Magazine):

I have just returned from a trip to Slovakia, President Havel, where I met many people interested in being entrepreneurs and their one complaint is that your decision-makers are either too slow or too intent on making decisions for them. I would like to ask you and Mrs Thatcher, what is the art of letting go in economic policy and what is the art of not making decisions but letting them be made?

PRIME MINISTER:

It is the art of being a democrat. But it is the biggest change in attitude politically that can take place from a philosophy which says the state shall do everything and the individual and company have no significance, to saying as a democrat that the state's activities and powers shall be limited, they shall have a rule of law and otherwise the liberties of the individual and the company shall be extended. It is a change of attitude and in politics a change of attitude is the most difficult thing to bring about and it takes time.

MR HAVEL:

Things are not all in the hands of the centre, but the individual businesses still do not enjoy the measure of authority and freedom they should have. It is indeed a transitory stage because the businesses are still often not legal persons.

Nevertheless, the scenario of the economic reform our government has adopted envisages very fast attainment of legal personality on the part of the businesses. The administrative functions at the federal level or the state level should be restricted very fast. I firmly believe we are entering an era when economic reform will no more be the subject of contemplation and it will be implemented.

QUESTION (Financial Times):

President Havel, do you believe the British government and other Western governments are doing enough in terms of aid to Czechoslovak industry and government in helping the transition process, and specifically with regard to the UK whether the Know-How Fund is really enough for you and whether you would like to see more help in cash terms over the coming months?

MR HAVEL:

The Know-How Fund is extremely important for us. But that does not mean that we should not welcome other forms of assistance. Czechoslovakia is not going to resist a possibility to obtain some stabilising funds which are necessary in the process of further stabilisation of our currency. Czechoslovakia welcomes any kind of cooperation, establishment of joint ventures, and any kind of foreign investment. It happens now and then ever that investors come and go without achievement only because our reform has not progressed far enough for us to be able to accept the proposals and immediately materialise them in real contracts.

Nevertheless, our interest is quite keen and we enjoy the amplitude of the scope of proposals. Businessmen from various

countries are coming with most varied proposals and certainly in my opinion we cannot complain about lack of interest, especially on the part of the private sector.

QUESTION:

First of all I would like to thank the President for his promise that very soon, even if after the enactment of some new legislation, the BBC will be better heard here. I think after 50 years we still have something to offer, including language courses in English.

QUESTION:

The listeners of the BBC World Service Czechoslovak section come to us with a lot of enquiries, especially young people who are learning English from the English by Radio courses, and they want to know about contacts with Great Britain. You have spoken about the exchange of young people, they will certainly be delighted about the visa-free travel you have announced today, but is there any possibility in the foreseeable future for them to come to Britain and take short-term jobs with a work permit, like au pairs for example, so that they can stay independently of institutions for a short while and learn the language properly and come back to their own country richer?

PRIME MINISTER:

I think the main exchanges would be done through the other most excellent organisation, the British Council, as you know, and

together you do marvellous work. I certainly will have a look at the other matter.

(END OF TRANSCRIPT)

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OF 170030Z SEPTEMBER 90
AND TO IMMEDIATE NO TEN

PRAGUE/CABINET OFFICE - IMMEDIATE FOR THE PRIME MINISTER AND CHIEF
PRESS SECRETARY

NO TEN - PRESS OFFICE, DUTY CLERK AND PRIME MINISTER'S PRIVATE OFFICE

FOLLOWING IS LPS MEDIA SUMMARY OF RADIO AND TELEVISION NEWS
BROADCASTS ON THE EVENING OF SUNDAY 16 SEPTEMBER, AND OF FIRST
EDITIONS OF NATIONAL NEWSPAPERS FOR MONDAY 17 SEPTEMBER 1990.

RADIO AND TELEVISION

BBC1 TV NEWS AT 2105 BRIEFLY NOTED THE FACT THAT MRS THATCHER IS
ON HER WAY TO CZECHOSLOVAKIA.

ITN NEWS AT 2145 SHOWED FILM OF MRS THATCHER'S ARRIVAL IN
CZECHOSLOVAKIA. THE PRESENTER SAID SHE WAS 'MOBBED BY CHEERING
CROWDS', AND REPORTER MICHAEL BRUNSON SAID THAT HISTORY WAS IN
THE MAKING TODAY, WITH MRS THATCHER BEING THE FIRST BRITISH PRIME
MINISTER TO VISIT THE COUNTRY FOR HALF A CENTURY.

BBC RADIO 4 NEWS AT 2200 NOTED MRS THATCHER'S ARRIVAL IN PRAGUE,
AND SAID SHE HAS GONE TO EASTERN EUROPE TO EMPHASISE THE MERITS
OF THE MARKET ECONOMY. THE REPORT ADDED THAT SHE IS EXPECTED TO
CALL FOR COUNTRIES LIKE CZECHOSLOVAKIA TO JOIN THE EC.

PRESS COVERAGE

DAILY TELEGRAPH: A PAGE 1 REPORT BY GEORGE JONES FROM PRAGUE SAYS
MRS THATCHER WAS GIVEN AN ENTHUSIASTIC WELCOME BY HUNDREDS OF
CZECHS IN PRAGUE LAST NIGHT WHEN SHE BECAME THE FIRST BRITISH
PRIME MINISTER TO VISIT THE COUNTRY FOR MORE THAN 50 YEARS. ON
ARRIVAL SHE IS SAID TO HAVE BEEN GREETED BY PRIME MINISTER MARIAN
CALFA AND SENIOR OFFICIALS INCLUDING MR DUBCEK, AND WAS GIVEN A
21-GUN SALUTE AND MILITARY WELCOME. A MORE DETAILED REPORT BY THE
SAME WRITER ON PAGE 10 SAYS MRS THATCHER'S VISIT, TWO DAYS AFTER
ONE BY PRESIDENT MITTERRAND, IS TIMED TO HELP BURY MEMORIES OF
THE 1938 MUNICH AGREEMENT. LIKE M MITTERRAND, HE SAYS, MRS
THATCHER WILL ADDRESS THE CZECHOSLOVAK PARLIAMENT ON HER VIEW OF
THE FUTURE SHAPE OF EUROPE.

A RELATED ARTICLE ON PAGE 16 BY BORIS JOHNSON SUGGESTS THAT
BRITAIN IS NEGLECTING ITS CHIEF ASSET IN THE FORMER EAST BLOC -
THE ENGLISH LANGUAGE - AND THAT MRS THATCHER'S DESIRE TO WELCOME
EASTERN EUROPEAN COUNTRIES INTO THE EC SPRINGS FROM HER 'ABIDING
DISLIKE OF MONETARY AND POLITICAL UNION' AND HER HOPE THAT NEW
MEMBERS FROM THE EAST WOULD SLOW INTEGRATION TO A CRAWL.

A REPORT BY FRANCIS HARRIS ON AN INTERVIEW WITH PRESIDENT
HAVEL, ON THE FACING PAGE, HEADLINED 'THATCHER GOES FOR EASTERN
PROMISE', SAYS THE PRESIDENT ACKNOWLEDGES MRS THATCHER'S
POPULARITY IN THE FORMER COMMUNIST COUNTRIES OF CENTRAL EUROPE,
AND BELIEVES SHE HAS GOOD ADVICE TO OFFER, ESPECIALLY ON THE
ECONOMY AND ON PRIVATISATION.

/ FINANCIAL

FINANCIAL TIMES: A PAGE 4 REPORT BY IVO DAWNEY, HEADLINED 'THATCHER LOOKS FOR BROADER EUROPE', SAYS THE PRIME MINISTER TODAY BEGINS A EUROPEAN TOUR TO PROMOTE HER VISION OF AN EXPANDED EUROPE EMBRACING THE NEWLY DEMOCRATISING EAST. IT IS SAID THAT HER VISIT WILL SERVE TO 'FLESH OUT HER VIEWS' ON THIS BEFORE THE CSCE MEETING IN NOVEMBER, BUT 'IT IS ALSO INTENDED TO IMPROVE TRADE AND BUSINESS LINKS WITH CZECHOSLOVAKIA AND HUNGARY, AND CONSOLIDATE OIL TIES WITH SWITZERLAND'.

A PAGE 10 REPORT HEADED 'GULF CRISIS IS THREAT TO TAX CUTS, THATCHER SAYS' GIVES EXTRACTS FROM AN INTERVIEW WITH THE PRIME MINISTER, PUBLISHED IN THE NEWSPAPER 'SCOTLAND ON SUNDAY'. SHE IS SAID TO HAVE ACKNOWLEDGED THAT THE 20P TARGET WAS THREATENED BY THE COST OF BRITAIN'S MILITARY CONTRIBUTION TO THE DEFENCE OF SAUDI ARABIA.

THE TIMES: A REPORT BY PHILIP WEBSTER ON MRS THATCHER'S ARRIVAL IN PRAGUE AND ON THE PURPOSE OF HER TOUR APPEARS ON PAGE 9.

GULF CRISIS

'IRAQI TROOPS USE TERROR TO DRIVE OUT KUWAITIS': BENEATH THIS HEADLINE, THE DAILY TELEGRAPH'S LEAD STORY SAYS MORE THAN 1000 KUWAITIS POURED INTO SAUDI ARABIA YESTERDAY, BEARING GRIM TESTIMONY TO A CAMPAIGN OF MURDER, ARSON AND LOOTING BEING WAGED BY IRAQI TROOPS. THIS WAVE OF TERROR IS SAID TO BE AIMED AT DRIVING THE REMAINING KUWAITI POPULATION OUT, AND THEREBY TIGHTENING IRAQ'S GRIP ON THE COUNTRY. THE FRONTIER IS SAID TO HAVE BEEN OPENED ON SATURDAY, BUT ONLY KUWAITIS ARE BEING ALLOWED TO CROSS.

IRAQI DIPLOMATS MAY BE PLACED UNDER RESTRICTIONS AND REDUCED IN NUMBER IN ALL EC COUNTRIES, AS PART OF THE WEST'S REACTION AGAINST BREACHES OF DIPLOMATIC IMMUNITY BY IRAQI TROOPS IN KUWAIT LAST WEEK, ACCORDING TO THE LEAD STORY IN THE TIMES. THE REPORT SAYS ITALY HAS ANNOUNCED THE EXPULSION OF ALL MILITARY STAFF FROM THE IRAQI EMBASSY, AND RESTRICTED THE MOVEMENT OF OTHERS, AND FRANCE WILL PUT 29 IRAQIS ON A PLANE TO JORDAN ONLY A DAY AFTER THEIR EXPULSION WAS ANNOUNCED BY PRESIDENT MITTERRAND. THE REPORT ADDS THAT ITALY AND FRANCE ARE EXPECTED TO URGE SIMILAR ACTION BY OTHER EC MEMBERS AT A FOREIGN MINISTER'S MEETING IN BRUSSELS TODAY, AND WHILE MR HURD HAS SO FAR RESISTED CALLS FOR ACTION AGAINST THE IRAQI EMBASSY IN LONDON, '...HE IS UNDERSTOOD TO BE WILLING TO LISTEN TO ARGUMENTS FOR A UNITED EC STAND'.

UN SANCTIONS: THE TIMES REPORTS THAT THE UN SECURITY COUNCIL YESTERDAY TOOK THE FIRST STEP TOWARDS IMPOSING AN AIR BLOCKADE OF IRAQ AND AUTHORIZING SANCTIONS AGAINST NATIONS WHICH HELP IRAQ BREAK THE UN EMBARGO. IN A UNANIMOUS VOTE, THE 15-NATION COUNCIL IS SAID TO HAVE CONDEMNED IRAQI RAIDS ON DIPLOMATIC PREMISES IN KUWAIT, AND SAID IT WOULD 'CONSULT URGENTLY TO TAKE FURTHER CONCRETE MEASURES'. BAGHDAD IS SAID TO HAVE REJECTED THE RESOLUTION, AND CONTINUED TO DENY THAT ITS TROOPS HAD ENTERED FRENCH AND OTHER DIPLOMATIC RESIDENCES.

SAUDI ARMED FORCES: LEAD STORIES IN THE FINANCIAL TIMES AND GUARDIAN CONCERN SAUDI ARABIA'S PLAN TO DOUBLE THE SIZE OF ITS ARMED FORCES, WHILE BUYING UP TO 10.5 BILLION POUNDS WORTH OF EQUIPMENT FROM THE US IN A MILITARY REORGANISATION THAT IS 'LIKELY TO UNDERMINE BRITISH EFFORTS TO INCREASE ARMS SALES TO THE KINGDOM'. THE DEAL IS SAID TO INCLUDE THE PURCHASE OF MCDONNELL DOUGLAS F15 FIGHTER AIRCRAFT IN PLACE OF A PROVISIONAL PLAN WITH BRITISH AEROSPACE TO BUY 48 TORNADOS.

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THE GUARDIAN LEAD STORY SAYS THE US-SAUDI ARMS DEAL THREATENS A HUGE NEW ARMS RACE IN THE MIDDLE EAST, WITH ISRAEL EXPRESSING ALARM AT THE IMPACT OF THE 'BIGGEST ARMS DEAL IN STORY' ON THE STABILITY OF THE REGION.

BUSH ON IRAQI TV: IN A TAPED MESSAGE BROADCAST ON IRAQI TV, PRESIDENT BUSH IS REPORTED TO HAVE TOLD THE IRAQI PEOPLE THAT THEY HAD BEEN BROUGHT TO THE BRINK OF A WAR THAT THEY COULD NOT POSSIBLY WIN, THAT THEY HAD BEEN MISLED BY SADDAM HUSSEIN, THAT THE CRISIS IS ENTIRELY HIS FAULT, AND THAT THE WHOLE WORLD IS UNITED AGAINST HIM.

SADDAM'S RESPONSE: SPEAKING IMMEDIATELY AFTER MR BUSH'S SPEECH ON IRAQI TV, SADDAM HUSSEIN'S SPOKESMAN IS SAID TO HAVE ACCUSED MR BUSH OF WANTING TO TAKE OVER THE WORLD, AND OF LYING WHEN HE CLAIMED TO SPEAK FOR WORLD OPINION. HE THEN REPEATED THE IRAQI POSITION THAT KUWAIT WAS HISTORICALLY PART OF IRAQ, AND WOULD NOT BE GIVEN UP.

EGYPT: REPORTS IN MOST PAPERS FROM CAIRO SAY EGYPT HAS BEGUN SENDING A FURTHER 15,000 TROOPS FROM ARMoured AND MECHANISED DIVISIONS TO THE GULF (BRINGING THE TOTAL TO 20,000), ACCORDING TO EGYPTIAN DEFENCE MINISTRY SOURCES.

HEATH URGES TALKS: INTERVIEWED ON LONDON WEEKEND TELEVISION ON SUNDAY, MR EDWARD HEATH IS REPORTED ON PAGE 1 OF THE GUARDIAN TO HAVE SAID THAT SADDAM HUSSEIN WAS NOT 'A HITLER', AND TO HAVE URGED THE WEST TO CONSIDER AN ARAB-MEDIATED SETTLEMENT THAT WOULD MEET LONG-STANDING IRAQI DEMANDS IN RETURN FOR A PULL-OUT FROM KUWAIT. HE SUGGESTED THAT CONCESSIONS SUCH AS A PEACE CONFERENCE ON THE PALESTINIAN ISSUE, THE HANDING OVER OF TWO DESERTED KUWAITI ISLANDS TO IRAQ, OR A PACT ON DISPUTED OIL RIGHTS, MIGHT END THE CRISIS WITHOUT SEEMING TO REWARD SADDAM FOR INVADING KUWAIT. HIS REMARKS ARE SAID TO HAVE BEEN GREETED WITH DISMAY BY MPS ON BOTH SIDES OF THE COMMONS - LABOUR'S FOREIGN AFFAIRS SPOKESMAN IS SAID TO DESCRIBED THEM AS 'MISPLACED AND ILL-JUDGED'. (THIS IS THE LEAD STORY IN THE DAILY STAR, WHICH GIVES IT THE HEADLINE 'TED BACKS THE TYRANT'.)

BAKER'S AID-RAISING TOUR: THE DAILY TELEGRAPH REPORTS THAT THE US SECRETARY OF STATE HAS ENDED A TOUR OF WASHINGTON'S MILITARY ALLIES WITH A 'WINDFALL' OF 1.1 BILLION POUNDS FROM WEST GERMANY, BRINGING THE TOTAL FOR HIS 10-DAY TRIP TO ABOUT 13 BILLION POUNDS.

OTHER NEWS

MOSCOW: THOUSANDS OF DEMONSTRATORS ARE REPORTED TO HAVE MARCHED THROUGH MOSCOW, IN THE BIGGEST POLITICAL PROTEST SINCE THE REVOLUTION, URGING SOVIET PRIME MINISTER NIKOLAI RYZHKOV TO RESIGN.

GERMANY: A PAGE 1 REPORT IN THE GUARDIAN SAYS MR GORBACHEV'S ADVISER ON GERMAN AFFAIRS, NIKOLAI PORTUGALOW, HAS EXPRESSED THE VIEW THAT A UNITED GERMANY SHOULD BECOME THE SIXTH PERMANENT MEMBER OF THE UN SECURITY COUNCIL AND ASSUME ITS RIGHTFUL PLACE IN WORLD POLITICS AS A 'MODERN BIG POWER'. THE FEDERAL FOREIGN MINISTER, HERR GENSCHER, IS SAID TO BE CAUTIOUS ON THIS PROPOSAL, SAYING: 'WE MUST WAIT FOR THE REACTION OF THE INTERNATIONAL COMMUNITY. THIS IS NOT SOMETHING WE HAVE BEEN EXPECTING OR PRESSING FOR OURSELVES.'

IRAN: HUSSEIN MUSSAVIAN, HEAD OF THE IRANIAN FOREIGN MINISTRY'S WEST EUROPEAN DEPARTMENT, IS REPORTED TO HAVE SAID THAT NOTHING COULD ALTER THE DEATH DECREE AGAINST MR SALMAN RUSHDIE. /REPLACING

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TELEEX
REPLACING WELFARE STATE: A POLICY BOOKLET RELEASED BY THE RIGHT WING 'NO TURNING BACK GROUP' OF TORY MPS (WHO ARE SAID TO WANT TO INCREASE THE RADICAL CONTENT OF THE NEXT CONSERVATIVE ELECTION MANIFESTO) SAYS THE WELFARE STATE SHOULD BE REPLACED BY A SYSTEM OF SOCIAL INSURANCE RUN BY PRIVATE AGENCIES.

ENDS

COI LONDON



PRIVATE SECRETARY

NEW PREMISES FOR THE BRITISH COUNCIL, BUDAPEST

1. The British Council library and offices are in the Embassy building. For the past year the Council have been looking in vain for separate premises to purchase so that they may expand their activities and start direct English language teaching. They have had their eye on the East German Cultural Centre, a fine 1920's building not far from the Embassy.

2. The Foreign Ministry told me on 17 September that it had been agreed, at the highest level, that the Council could have the East German building. They suggested, however, that the Prime Minister should, if necessary, raise the question of new premises for the Council with Dr Antall. This would prompt him to give the right answer. There could then be no back sliding.

John Birch

17 September 1990

J A Birch

PRIME MINISTER - INTERVIEW - CZECH NEWSPAPER - PRAGUE - 16 SEP 90

- 1 -

FROM JAMES LEE FOR COI RADIO TECHNICAL SERVICES

TRANSCRIPT OF INTERVIEW

GIVEN BY THE PRIME MINISTER, MRS. THATCHER,

IN PRAGUE,

ON SUNDAY, 16 SEPTEMBER 1990

INTERVIEWER: ALEXANDER KRAMER ("LIDOVE NOVINY")

INTERVIEWER:

Czechoslovakia is now in the process of constituting a functioning democratic society. We are sure to encounter a number of obstacles and risks on our way, therefore we are grateful to those who are willing to help us with their advice. What do you think are the main tasks lying ahead of us and which traps should we avoid?

PRIME MINISTER:

That is a very big question indeed, but Czechoslovakia has a history of knowing what freedom is like and it has a history of having had a successful industry, so you are starting from a better base than some other countries.

Let me say the most fundamental thing about liberty is that if you accept freedom and have fought for freedom, you must also accept responsibility. Having freedom means that you do not leave all the decisions to government but you make some at various levels of society and that whatever your work, you are prepared to work very hard and prepared to play your part in bringing about the kind of society you want.

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fortress-like memorial there, celebrating the blood of the Volk. In 1945, the Poles blew it up and built their own memorial, which is less about Silesia than liberation by fraternal Soviet troops. As usual, Silesians suffered and the ideology of new masters was stamped on their memory.

Today, the situation in Upper Silesia is almost the exact opposite of the 1920s and 1930s. Now it is the Poles who dominate the cities, who are educated, and whose culture is imposed, and the Germans who are backward and live in the villages. Whereas 50 per cent of Polish children in Upper Silesia finish high school, only 12 per cent of the German descendants manage to do so. This is not really a matter of discrimination and cultural oppression. It is mainly because the educated Germans, the doctors, lawyers, professors, left in 1945. The ones who stayed were people like Herr Urban's mother, scared peasants who couldn't think of leaving home. And it is their children who are now singing the old songs again, or leaving for Germany and what they hope is a better life.

The story of the Germans in Upper Silesia is of course a European sideshow, but there are universal lessons to be drawn. It shows the folly of trying to destroy the language and customs of minorities, in the name of cultural nationalism, socialist internationalism, or some utopian Reich. In the end, such attempts always end in revanchism, sometimes even terrorism. The Silesian Germans insist on being German because for too long they were forced to be Poles, not only by nationality, but by habit, custom, history. A Polish politician in Warsaw called the Silesian problem 'our West Bank'. That is an exaggeration. But with an economy in disarray, the last thing the shaky Polish government wants is a minority problem on its disputed borders.

It is a minority with nothing else to be proud of but its tenuous identification with a strong and wealthy neighbour, which brought destruction in the past and cares little for them now. But their illusions are kept alive by the only people from the West who do care, the demagogues, who build their careers on resentment. Maybe the Silesian problem will sort itself out in time, when things get better in Poland, and Germany will seem less arcadian. Perhaps Friedrich Kremser is right to say that 'if our people were better off in Poland, they would soon forget that they are Germans'. But only if politicians from East and West do what hasn't been done since Frederick the Great, which is simply to let them be.

A DICTIONARY OF CANT

CONSULTATION An opportunity for junior ministers to refine and fortify their prejudices in advance of television debate.

Nigel Burke

INSIDE THE CASTLE

Dominic Lawson questions the Czechoslovak President about capitalism and Germany

Prague

WHEN Mrs Thatcher flies into what is now called the Czech and Slovak Federal Republic, for her meeting on Monday with President Vaclav Havel, the following things will happen to her: her pilot will remind her that it is forbidden to take photographs over Czech air space, and that when she lands she must exchange foreign currency at the state bank at the airport.



There she will find she is forced to buy Czech crowns at an invented rate of 30 to the pound, barely half the amount she would receive on any street corner in Prague. She will notice that any small change handed to her will still bear the imprint of the hammer and sickle. She will no longer be rendering unto that particular Caesar, but I think we would all recognise this as a socialist transaction. In fact probably none of these things will be forced on Mrs Thatcher — prime ministers are special cases — but they will be on the bevy of English journalists accompanying her, unless policies have changed since last week when I made the same journey, to interview President Havel.

The political table-talk in Prague is that

while the finance minister, Vaclav Klaus, an unreconstructed supporter of Milton Friedman, is aching to introduce market economics to the country, even to introduce private sector restaurants, President Havel is obstructing him. Havel himself seemed almost affronted when I put this — hardly controversial — point to him.

That is of course a mistake. It is a nonsense. Some people think it because that's the way it appears in our newspapers, but they do not reflect the real truth. Mr Klaus and I agree that the reform must be speedy and profound, although it is not really a reform but in fact a substitution of the existing system by a different one.

Perhaps the argument therefore is at a different level, namely, what shall be the nature of the new system? When I asked Mr Havel if he was prepared to have capitalism in Czechoslovakia, he replied, with some asperity, 'I have never said that we should build capitalism in our country. We want to build a functioning economic system, on which prospering economies and trade have been based for millennia, that is, long before capitalism arrived on the scene.'

I'm not sure what Mrs Thatcher will make of that when she attempts to persuade the President of her ideas of a Pan-European Common Market, in which the newly liberated Eastern European countries would be full members of the capitalist club. Havel, as he put it to me, is 'a friend of various co-operative, collective forms of ownership, but at the same time I can see that purely private ownership has a legitimate right to exist parallel to them'. Switch the meaning of that sentence on its head, and you arrive at the view of the British Prime Minister.

The last time the two leaders met was at a dinner thrown in Havel's honour at 10 Downing Street. A fellow guest said later that he had never seen two people sitting next to each other with less in common. Havel grinned impishly when I recounted this remark to him, and then in his characteristic rumbling monotone attempted a serious response.

'Whether sitting at the dinner table next to Mrs Thatcher we are symbolising two

different worlds' — here Havel broke off to stub out yet another cigarette — 'that is not up to me to judge. But it's always a useful experience for everybody — the confrontation with someone who may think in a different way.'

Is President Havel, the unwitting hero of the Right in the West, in fact a socialist? In 1968, when he was among a group dedicated to reviving the extinct Social Democratic party, Havel said in an interview, 'I was always in favour of socialism in the sense of nationalisation of the major means of production.' When I reminded Havel of this, he retorted, 'I might have said something like that, but my opinions have developed as I am learning to know the world. If I in the past accentuated the collective form of ownership more than I accentuate it today, perhaps it is because today I am some 20 years older.' So, come clean now, Vaclav, are you still a man of the Left or not?

'I have been refusing all my life to be identified as a leftist or a rightist. For many years I have been suspected by some of being a leftist, and by others of being a rightist, and at the same time both groups claimed me, and I just had to laugh.'

I was just about to remind Havel of Timothy Garton Ash's first law of politics in Eastern Europe post-1989: the man who says he is neither a leftist nor a rightist is a leftist. But then finally, after an agonisingly long drag at a cigarette held between thumb and forefinger, he answered the question: 'Nevertheless, I should probably say one thing: God created me in such a way that my heart is on the left side of my chest, and I will not deny my affiliation with the . . . let's say . . . liberal-minded international intellectual community, which is called by some left-wing.'

This conflation of God and the Left is in fact evident in the bookshelf in Havel's peculiarly modest and angular little office in the vast building overlooking Prague, known to all simply as 'the Castle'. Behind Havel and the clouds of smoke emanating from him I could make out, almost in a row, two copies of the Bible, a biography of Mother Teresa, and a plaque with the name of Olof Palme engraved on it. So, having established, at least to my own satisfaction, Havel's political credentials, I also had to ask, 'Are you a Christian?'

'I would not call myself a particularly good Christian, or even a practising Catholic, but at the same time I admit openly that my overall view of the world and its mysteries has been affected by my Christian upbringing and environment.'

It is tempting to see an element of the Christian doctrine in the reluctance of the new administration to launch into prosecution and sentencing of those who brutalised and oppressed the likes of . . . Vaclav Havel, during the period of communist rule. Whether or not there is an element of forgiveness in this, it is a matter of intense debate among those who once suffered as

dissidents; one of them, now a member of parliament, told me, 'The Velvet Revolution has been velvet mostly for the beasts and freaks who used to run this country.' I repeated interrogatively exactly these words to Havel.

'First, we didn't invent the term Velvet Revolution. It was invented by Western journalists, and then it began to be used here as well. In my opinion it is not a very fortunate expression. As to your question, the situation is a complicated one. The revolutionary process is still going on while at the same time we are building the legal state. That means, as a matter of principle, that we want to avoid all acts of revenge, and to open the way for justice. The implementation of that justice is, I agree, not often as perfect as it should be. But if, on the other hand, we let the revolution take justice into its own hands we would join the fate of revolutions devouring their own children, responding to violence with violence.'

At this point the man sitting next to President Havel on the presidential sofa, sipping the presidential bitter lemon, nodded vigorously in agreement. This was none other than Prince von Schwarzenberg, Havel's Chancellor. And the Prince ought to know about such things. After all, he is a direct descendant of the Prince von Schwarzenberg who for his Habsburg masters put down the 1848 Revolution in Austria with such unsentimental efficiency.

Despite his name, von Schwarzenberg is in fact a Czech citizen, so I was able without embarrassment to ask Havel about . . . the Germans. Any visitor to Prague will seem to hear German spoken almost as

much as the language of the natives, and bright new Mercedes and BMWs litter the streets of the city, dwarfing the Skodas which are all the locals can aspire to. As President, Havel himself is driven in a cavalcade of BMWs, at least one of them a gift from the German President, Richard von Weizsäcker. I recalled to Havel the remark he made in his inaugural speech as President, in January: 'Our state should never again be an appendage or a poor relation of anyone else.' Does that include Germany?

'I personally don't share the fear that Czechoslovakia could become a satellite and appendix of the uniting huge and rich Germany. We do not have to be afraid of a democratic neighbour. We can always reach an agreement with a democracy. There does exist in this part of the world a kind of historical genetically coded fear concerning the Germans, but it seems to me that this tradition should be patiently opposed. We should fight the subconscious fear, rooted in our tradition, of Germans as such.'

I don't suppose anyone in the room could altogether forget that we were sitting in what might have been the private office of Heydrich, when that Nazi was the 'protector' of Bohemia.

But why, I asked Havel, should the genetic trait only be a characteristic of those uneasy about German power? Why could there not be some undesirable genetic characteristics in the Germans themselves, as listed by Mrs Thatcher's adviser, Mr Charles Powell?

Havel's reply was so lengthy that it took almost an entire cigarette to get through: 'I



'Let me be perfectly honest with you — even though it may violate professional ethics.'

should perhaps correct myself, and say that I use the word genetic in inverted commas. Of course it is not the result of genetics but of social and historical tradition. It is an expression of archetypes transferred from one generation to another. For example we can observe now the fears expressed by Poland about its western border, which seems to us excessive and unnecessary. . . . I can't at the same time rule out the possibility that in some fraction of the German population there exists some sort of expansionist archetype, but it does not seem to me to be the policy of the new Germany or the will of the German public. I consider it a marginal phenomenon.'

So, no need to worry about undue German influence on the Czech economy. But I couldn't help noticing the inscription on the lighter with which Havel was fiddling throughout our interview. It was the logo of BMW. 'What's that then?' I asked Havel. He gave a wry little grin, and scuttled across his office to his desk, threw the lighter into a drawer, rummaged around for a few seconds, found what he was looking for, shuffled back, sat down, and banged another lighter down on the table between us. This one had the unmistakable twelve-starred emblem of the European Community. Then we all laughed, not too nervously.

DESIGNER GUERRILLAS

Charles Glass finds that his interview with a member of the Kuwaiti resistance was not as exclusive as he had hoped

The Saudi-Kuwaiti border
THE concept, like so many in this zone of impending battle, seemed a good one: a secret rendezvous with the leader of the Kuwaiti resistance. Two men from the underground opposition to the Iraqi occupation of Kuwait would meet me in a hotel lobby in Saudi Arabia and drive me into the desert to meet Sheikh Ali Sabah Sallem As-Sabah and the brave men under his command. That was the plan, but people in this land learned long ago the futility of predicting, let alone attempting to determine, their futures. The foreigner must relearn this lesson with the rising of each morning sun.

A half-dozen journalists were already waiting in the hotel lobby when I came in. They sat around with cameras or notebooks, pretending not to notice one another and dreading the obvious conclusion: none of us was to enjoy an exclusive interview with Kuwait's Charles de Gaulle. Would this be another group tour, like the hundreds provided by the American armed forces and the Saudis? Each of us wanted to believe the others knew nothing of the secret rendezvous and the Kuwaiti resistance. Alas, we all rose when two Kuwaiti men in their thobes, white gowns like those worn in Africa by the White Fathers, walked into the lobby.

The two young men, Ali and Anwar, appeared to be disappointed we were so few. Ali said, 'Before we go to the meeting, we must stop at the other hotels.'

Other hotels? 'To collect the other journalists.' Other journalists? And so it was, as the Kuwaiti Pied Pipers led us in convoy from hotel to hotel, collecting more and more rodents of the international press. We had lost precious hours of daylight in the process, meaning the camera crews would have to film in the dark. So much for any pictures of the brave fighters and their secret bases. To complicate matters, the French — cameras round necks, silly hats on heads, Gauloises dangling from lips — had joined our happy band.

For more hours, our convoy made its way along desert roads north towards the border with occupied Kuwait. We drove



'We're finding it rather hard to make ends meet.'

past slow-moving convoys of American tanks and armoured personnel carriers.

The Kuwaitis in the lead car drove so slowly along the highway that I stopped to talk to some American soldiers waiting by the road. 'Hey,' a young sergeant from an airborne division said. 'Have you guys heard any news? What's going on? We don't hear anything out here.'

We told them Presidents Bush and Gorbachev were meeting in Helsinki, that sanctions seemed to be taking a toll in Iraq and that a few more foreign women and children had been able to leave Baghdad. One soldier said, 'We hear they shot an American.'

'The Iraqis wounded him in Kuwait,' I said, having heard the news on the BBC World Service. 'He's in a hospital, but the Iraqis won't let any diplomats see him.'

'Why not?' the soldier asked.

I remembered the water and fruit juice in an ice chest in the back of the car. 'Would you guys like some cold water and drinks?'

'Hell, yes.' We gave them bottles of water and cans of juice, colder than the warm water in their metal hip-flasks. They could not have been more grateful or polite. Then we caught up with the Kuwaitis and the other journalists, following them slowly to a Saudi government office near the border. There we sat in an entrance hall for half an hour or so, before our Kuwaiti hosts moved us into a large reception room. After some prompting on our part, they gave us tea and we waited another hour.

I asked some of my colleagues how they had known about the meeting. 'We got a call,' they said.

'From Hill and Knowlton?'

'You too?'

The Kuwait resistance is probably the only guerrilla force on earth represented by a New York public relations firm. Hill and Knowlton staff sit in Taif, western Saudi Arabia, as far as possible from Kuwait, with the Kuwaiti royal family and the Kuwaiti government-in-exile. There they guide the Kuwaitis through the novel experience of being nice to the press. Hill and Knowlton's director, ex-Bobby Kennedy press secretary Frank Mankiewicz, lobbies for the Kuwaitis in Washington. If you need any information from him, by the way, his number in Washington is 202 333 7400, and his office should be able to explain why only 65,000 adult males out of a population of nearly two million had full, or first-class, Kuwaiti citizenship. Hill and Knowlton created the inappropriately named 'Citizens [sic] for a Free [sic] Kuwait'. (Another lobbying group, the US Iraqi Business Forum, has for the time being suspended its campaign to increase American aid to and trade with Iraq.) Although they represent the resistance, Hill and Knowlton did not send anyone with us to the border. If they had, things might have gone a bit more smoothly.

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PRIME MINISTER

cc: Mr. Ingham

VISIT TO SWITZERLAND

You are to make an official visit to Switzerland from Thursday morning until Friday tea-time, after which you go to stay with Lady Glover until Saturday or Sunday (we will need to decide during the week exactly when you want to return).

You arrive in Zurich on Thursday morning from Budapest by VC10 and transfer straight to an RAF Andover to fly on to Bern. You have a brief private meeting with the President of the Swiss Confederation (who speaks English), followed by a meeting with him and the main Cabinet Ministers. This continues over lunch and indeed afterwards, with a number of other Ministers joining the meeting. You have a press conference at tea-time, followed by a private meeting with the British Conservative Association of Switzerland. The Ambassador then gives a reception and you go on from that to a dinner given by the Federal Council.

On Friday you go by train to Basel, where you spend an hour at CIBA-GIEGY. From there you take an hour's helicopter flight through the Alps, stopping on a mountain (shades of Sound of Music!), and on to Zurich. There you have a lunch given by the Canton and City of Zurich at which you speak, followed by a meeting with the Swiss CBI. They will expect you to say a few words at the beginning of the meeting, principally on Europe and on economic policy. From that, you helicopter off to a textile factory specialising in high quality textiles: and then to Freudenberg. Lady Glover has arranged a lunch for leading Swiss bankers and businessmen on Saturday, and a smaller dinner on Saturday evening.

The most interesting thing about Switzerland at present is the way they are coming out of their shell and taking a more active role in international affairs. They are planning to join the IMF and World Bank. They are prominent in the discussions between EFTA and the EC on the creation of a European Economic Area. They have for the first time joined in imposing UN sanctions, by joining in action against Iraq. All this is to be encouraged (although they continue to set their faces firmly against membership of the UN). The Swiss economy is doing fairly well

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- 2 -

but not brilliantly, at least by their standards. The banking sector is generally thought to be rather lagging behind other financial centres, and its once pre-eminent reputation has declined. Environmental issues rank very high in public concern.

Our own relations with Switzerland are good though uneventful. We do a lot of trade, although much of it in precious metals and stones, and the Swiss are very big investors in the UK. Next year is Switzerland's 700th anniversary. Our official contribution is a travelling exhibition depicting the role of the British in the development of skiing, mountaineering and tourism in the late 19th and 20th century. Consideration is being given to a visit by the Prince and Princess of Wales.

In your talks, you will find the main interest in developments in the European Community, in particular EMU: in relations between the EC and EFTA and in what is happening in the Soviet Union and Eastern Europe. A particular point on which you will want to press them is aid to countries affected by sanctions on which they have so far been characteristically tight-fisted (although they have been generous with emergency aid to refugees). You might also talk about South Africa, where Swiss banks continue to have considerable exposure and have been helpful in rolling over South African debt. You will also want, both in your talks with the Government and with representatives of Swiss industry, to give the frankest possible appraisal of Britain's economic prospects and the Government's policy in the period ahead. The purpose will be to reassure them that, despite the current problems with inflation, the Government has not lost its way and remains committed to sound economic policies.

I do not think you will find this a very strenuous visit. Nor a very exciting one. But you can be assured of a warm if undemonstrative welcome, and some thoroughly interesting discussions.

C.D.P.
(C. D. POWELL)

15 September 1990

c:\wpdocs\foreign\Switzerland (srw)

CONFIDENTIAL

PRIME MINISTER

VISIT TO CZECHOSLOVAKIA

You are to visit Czechoslovakia from Sunday evening until Tuesday teatime. You will be most of the time in Prague, but fly to Bratislava for a few hours on Tuesday, before going on to Budapest. The programme is not too strenuous. Most of Monday is devoted to talks - President Havel, the Czechoslovak Prime Minister, the Czech Prime Minister - a call on Cardinal Tomasek and visits to cemeteries. You also have a joint Press Conference with President Havel. Your speech to the Federal Assembly is on Tuesday morning. After it you go for a walkabout with President Havel before your departure for Bratislava. There you have lunch with the Slovak Prime Minister, followed by talks with him and a brief Press Conference.

Your visit comes hard on the heels of President Mitterrand, which has been marred by a protocol squabble. Mitterrand insisted on sitting in the castle and people coming to call on him. The Slovak Prime Minister went diplomatically sick rather than do this. You are courteously calling on people in their offices. Mitterrand also addressed the Federal Assembly, but our Ambassador does not recommend any change in your speech as a result.

You will find copious briefing in the attached folder. The best guide is in fact Kenneth Baker's letter. There is not much specific business to be done: the main purpose of going is to mark the return of normal relations after more than 40 years of deep freeze, and to offer general support and encouragement for democracy and economic reform.

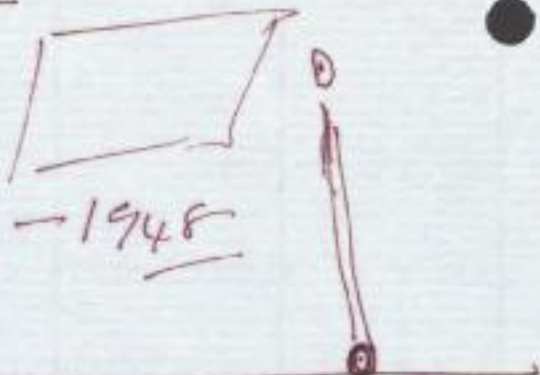
The Czechs are in a bit of a 'phoney war' situation. They are moving steadily towards democracy, but haven't quite got their yet. They are still suspicious of political parties and prefer broad movements like Civic Forum. Their current economic performance is not bad: inflation of about 3.5 per cent and a budget surplus. But some pretty horrid problems lie just round

Lebanon

900 yrs

Small practical class

(Med) - Gravity 1st Class
(Lab) - Refraction



Demerol - Palmer | Pitt - 2 books

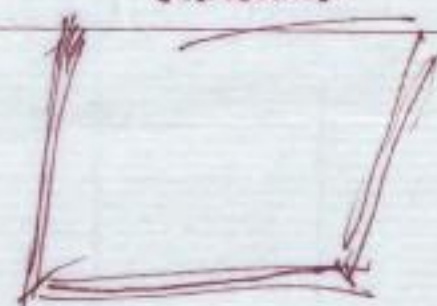
Demerol legal experiment - White



Coalition govt - 2 years - Political Spectrum // Stability

Position in Europe

E.C. - Association agreement //



Council of Europe

// - Out/Now //

N.A.T.O

- Totalitarian

Pillar of new security structure //

Warsaw Pact - Self liquidation of the Pact

Don't leave like that

C.S.C.E //

- Prague //

// Report Gromyko //

the corner. They will be badly hit by the increase in the oil price and the need to pay for all their oil in hard currency. They will also be severely affected by the decrease of COMECON: they were probably the main beneficiaries from the captive market which it offered for their low quality but - in Eastern European terms - quite sophisticated goods. The problems are compounded by their failure to make up their minds about economic reform. Their impressive Finance Minister, Vaclav Klaus, is all for a head long plunge into the market system. President Havel seems to favour going rather more slowly, and anyway leans more towards a sort of cuddly socialism.

These difficulties are compounded by growing strains between the two parts of Czechoslovakia, with quite a strong independence movement beginning to emerge in Slovakia (which has always been the junior partner and was for centuries a rather despised part of the Kingdom of Hungary).

So while intentions are quite good, there seems to be a bit of an atmosphere of waffle and woolliness. If you can bring yourself to read Dominic Lawson, there is quite a revealing interview of his with President Havel in this week's Spectator which I attach.

The main issues to discuss are really those set out in Kenneth Baker's letter. You will want to encourage rapid economic reform and privatisation. Your vision of Europe should prove attractive to the Czechs, and you will want to make the most of that. You need to continue your efforts to inject realism into President Havel's rather romantic notions about European security: although you will see from a telegram in the folder about the NATO Secretary General's visit that he is now more realistic than he was. Pace Kenneth Baker I do not think you should volunteer any opinion on the nationality question, although there is no harm in asking about it. You should brief them on the Gulf and the importance of strict observance of sanctions. The Know-How Fund deserves a mention but I would not exaggerate: the Czechs will get only about £2m this year.

There are three bilateral issues to mention:

- At your Press Conference you will be able to announce the abolition of visas from 1 October. This will please the Czechs no end.
- Our only commercial prospect is a bid for refurbishment of Prague Airport by Balfour Beatty, BAA and Barclays Bank.
- The BBC World Service hope you will mention their interest in acquiring a local frequency on which to broadcast their output.

You will be very popular and Havel will certainly excel in his hospitality (indeed he may overdo it: he has designed comic opera uniforms for the Palace Guard, tends to station heralds and trumpeters all over the place, and we have had politely to turn down his pressing offer of a red, white and blue BMW for you during the visit!). You will enjoy destruction testing some of Havel's woollier notions. I am sure it will be a success.

C.D.P.
Charles Powell

14 September 1990

c: Czech (MJ)

Bilateral

↔ Statistik → World Trade

Prague

Prin. Prop

Joint Union

Procedures

PRIME MINISTER

VISIT TO HUNGARY

You are to visit Hungary from Tuesday evening until early Thursday morning. The programme is inevitably constrained by the short time available. There will be welcoming ceremonies in Kossuth Square on arrival, followed by a brief protocol meeting with Prime Minister Antall and by a dinner which he will host. Wednesday starts with wreath layings, followed by formal talks with the Prime Minister and subsequently the President, a visit to the stock exchange and lunch with private businessmen. After lunch you visit a Herend display (the Herend factory is too far away, so they are coming to you), before meeting opposition parties and giving a press conference. The programme ends with a reception by our Ambassador. You leave for Switzerland early the next morning.

The Hungarians have made probably the smoothest transition to genuine democracy in Eastern Europe, in part because the last Communist leaders were reasonably progressive (sadly you are unlikely to meet them during the visit). Quite good progress has been made on establishing democratic institutions and the rule of law. But the government - a coalition - is inexperienced and quarrelsome. And the economy is in serious trouble. Foreign debt is the highest per capita in Eastern Europe. Rising oil prices will play havoc with current projections. Attempts are being made to negotiate a three year IMF programme. But relatively little progress has been made on economic reform: only 15% of the economy is in the private sector. The greatest strength is genuine enthusiasm for free enterprise and an ambition to make Hungary something like Austria.

The government are dead keen to get out of the Warsaw Pact and rather unrealistic in their hopes of being welcomed into NATO or the WEU. They are very keen to move towards EC membership, although by any realistic assessment that must still be some years away.

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- 2 -

As in Czechoslovakia, the main purpose of your visit is celebration of the return to democracy and encouragement for reform. In particular we want it to be a boost for Antall, who leads the only Conservative government in Eastern Europe. You have already met him twice and he is coming to the Conservative Party Conference. On the international side, he will expect a considered reply to the questions which he put to you in Helsinki about Hungary's wish to get out of the Warsaw Pact and perhaps consider some form of association with WEU. There is a separate brief on this which recommends that you urge him to move cautiously, but offer to facilitate a dialogue with WEU. You will also want to discuss the Gulf and he is likely to seek aid to compensate for loss of trade. There is really nothing which we can offer at this stage.

On the bilateral front, there is much to welcome starting with the successful visit of The Prince and Princess of Wales. You will want to invite Antall to make an official visit to Britain. As in Czechoslovakia, you can announce the abolition of visas from 1 October which will be very popular. An MOU on drugs co-operation will be signed by the Ambassador during your visit: Hungarian performance in this area is a bit rocky. Quite a lot of British firms are interested in joint ventures: the biggest to date is Ganz-Hunslett, which makes railway rolling stock. The Know How Fund does modest but useful work. We want to establish a new cultural centre for the British Council but need help in acquiring premises. You will want to mention the Peto Institute and repeat our commitment to provide £5 million for the new international Peto Institute once it gets off the ground. We have started co-operation on counter-terrorism. The BBC World Service would like a frequency on which to rebroadcast their programmes too. Finally, the Hungarians may raise the question of General Meszaros' body. They want it back but the last surviving relative won't agree until all Soviet troops have left the country (probably next year).

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- 3 -

There is copious briefing in the attached folder, a good deal more than you need. The best and shortest account is in the Ambassador's telegram. You will also want to read the letter about Hungary and NATO. Most of the rest is optional.

C.D.?

CHARLES POWELL

14 September 1990

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PRIME MINISTER

YOUR VISIT TO CZECHOSLOVAKIA, HUNGARY AND SWITZERLAND

You are to pay official visits to Czechoslovakia, from Sunday afternoon to Tuesday afternoon, Hungary, from Tuesday afternoon until Thursday morning and Switzerland, where your official programme runs from Thursday morning to late on Friday afternoon.

There will be considerable media coverage of your visit, particularly in Czechoslovakia and Hungary. I attach an outline programme for the visit highlighting those occasions when the media will be present. A detailed programme will be available on arrival in each of the countries you are to visit.

Peter Bean

PETER BEAN
Press Office

14 September 1990

PROGRAMME FOR YOUR VISIT TO CZECHOSLOVAKIA
HUNGARY AND SWITZERLAND

Sunday 16 September

- 1430 Take off LHR
1730 Arrive Prague - Official arrival ceremonies (guard of honour and march past)
PRESS WILL COVER YOUR ARRIVAL
1800 Arrive Residence - short briefing
c1830 Depart for Old Market Square
1835-1850 Walkabout
PRESS WILL COVER
1900 Return to Residence
1930 (for 2000) Dinner with non-official Czechs

Monday 17 September

- 0925 Depart by car for call on Czech PM Pittart
0930 Talks with Mr. Pittart and Dr Buresova
SMALL PRESS POOL TO COVER PHOTOCALL
0955 Depart for call on Cardinal Tomasek
1000 Talks with Cardinal Tomasek
PHOTOCALL FOR PRESS POOL
1020 Depart for Jewish cemetery
1030 Tour cemetery and pay brief visit to museum
SMALL PRESS POOL TO COVER
1040 Depart for Commonwealth War Graves cemetery
1055 Arrive and lay wreath and sign visitors book
PRESS WILL BE PRESENT
1110 Return to Embassy
1120 Arrive Residence
1225 Depart for castle
1230 Arrive: welcome ceremonies, etc.
PRESS WILL COVER CEREMONIES.
SMALL POOL INSIDE AS HAVEL ESCORTS YOU TO LUNCH
1245 Lunch with President Havel
PHOTOCALL BEFORE LUNCH BEGINS
1410 Talks with President Havel
1550 Talks end
1600 Press conference (with President Havel)
1645 Ceremonial departure

1700 Depart for talks with PM Calfa
Talks with Mr. Calfa
PHOTOCALL BEFORE TALKS
1730 Depart for Residence
1740 Arrive Residence
1930 Formal dinner given by Ambassador

Tuesday 18 September

0850 Depart Residence for Federal Assembly
0900 Arrive Federal Assembly: Meeting with Mr. Dubcek
PHOTOCALL FOR PRESS POOL
0925 Walk to main Assembly Hall: speech and presentation of
Magna Carta
MEDIA WILL COVER FROM PRESS GALLERY
1015 Depart for Wenceslas Square accompanied by President
Havel
1020 Arrive - walkabout followed by coffee with President
Havel in restaurant overlooking the Square
PRESS POOL WILL COVER WALKABOUT
1045 Arrive Winston Churchill Square to unveil name plaque
(with President Havel): greeted by Mayor of Prague
PRESS POOL TO COVER UNVEILING
1055 Depart for airport
1110 Arrive airport
1115 Depart by air for Bratislava
1215 Arrive Bratislava: met by PM Meciar
PRESS WILL COVER YOUR ARRIVAL
Depart for Hotel Borik
1300 Lunch hosted by Mr. Meciar
PHOTOCALL BEFORE LUNCH BEGINS
1425 Depart for Bratislava Castle
1430 Meeting with Chairman of Slovak National Council
Frantisek Mikloseu
PHOTOCALL INSIDE CASTLE ON ARRIVAL
1505 Meeting with PM Mecir - Office of the Government
PHOTOCALL BEFORE MEETING
1550 Meeting ends
1600 Press Conference
1620 Depart for Airport
1635 Arrive: farewell ceremonies

PRESS WILL COVER YOUR DEPARTURE

1645 Depart for Budapest

Tuesday 18 September

1730 Arrival at Ferihegy 1 Airport
Met by Protocol officials: embark cars and drive to
Kossuth Square
SMALL PRESS POOL WILL COVER ARRIVAL

1750 Arrive Square: welcoming ceremonies
PRESS WILL BE PRESENT

1800 Walk to Parliament Building accompanied by Prime
Minister Antall. Short bilateral meeting
PHOTOCALL BEFORE TALKS BEGIN

1830 Depart for HMA's Residence

1840 Arrive Residence

1945 Depart Residence for Gundel Restaurant

2000 Official dinner hosted by PM Antall
PRESS WILL BE PRESENT FOR YOUR ARRIVAL AND FOR THE
TOASTS BEFORE DINNER BEGINS

c2200 Return to Residence

Wednesday 19 September

0815 Depart Residence for Wallenburg Memorial

0820 Arrive Memorial: lay bouquet, short discussions with
representatives of Jewish community
PRESS WILL BE PRESENT

0830 Depart for Heroes Square

0845 Arrive Square: lay wreath
PRESS WILL BE PRESENT

0850 Depart for Parliament Buildings

0900 Arrive: bilateral talks with PM Antall
PHOTOCALL BEFORE TALKS

1030 Tour Parliament Buildings en route to meeting with
President Goncez
PHOTO OPPORTUNITY WHEN YOU ENTER THE DEBATING CHAMBER
EN ROUTE TO PRESIDENT GONCZ'S OFFICE

1045 Talks with President Goncez
PHOTOCALL BEFORE TALKS

1120 Depart for Stock Exchange

1130 Look at operations at the Stock Exchange

RESTRICTED



Foreign and Commonwealth Office

London SW1A 2AH

14 September 1990

Dear Charles,

CD 14/9

Prime Minister's Visit to Hungary

In my briefing letter to you of 12 September for the Prime Minister's visit, I mentioned that there were plans for a Memorandum of Understanding on drugs cooperation to be signed by the Ambassador during the visit.

The Embassy in Budapest have now reported that the Hungarian authorities are not able, in the time available, to comment on and agree the terms of the draft text we have given them. The MOU therefore cannot be finalised, translated and made ready for signature at the time of the Prime Minister's visit; so this will not now form a part of the programme.

We nevertheless hope that agreement can be reached on the text, and the MOU signed, within the next few weeks.

Janssen,
S L Gass

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

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Foreign and Commonwealth Office
London SW1A 2AH

CCPC
B1
DL

CONFIDENTIAL

14 September 1990

Dear Charles,

Prime Minister's Visit to Hungary: Hungary in the WEU

At her meeting with Mr Antall in Helsinki (your letter of 30 August) the Prime Minister undertook to revert to him with a considered view on his suggestion that Hungary should seek contacts with the WEU as part of the process of inching into Western Europe.

As the Prime Minister indicated at the meeting, this approach raises a number of important issues in particular:

- our attitude to the future of the Warsaw Pact
- what advice, if any, we should give the East Europeans on providing for their defence needs once the Warsaw Pact has disappeared, or they have left
- our view on how relations should develop between the East Europeans and Western defence organisations (NATO and the WEU)

This letter considers each in turn before providing advice on the line the Prime Minister might take with Mr Antall.

Future of the Warsaw Pact

It is clearly to the West's advantage that the Warsaw Pact has ceased to operate as a military body. But the continued existence of the Pact as a political organisation is still reassurance to the Soviet Union. We have therefore taken the line that the fate of the organisation is for its members to decide. We have been careful to take no action which would tend to perpetuate the Warsaw Pact (eg we have insisted that the Joint Declaration should be between members of the two

/Alliances)

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Alliances). Equally, we have not encouraged its demise. We believe that this continues to be the right approach since the Pact is dying anyway. Several of the East European countries are unhappy about remaining as members of the Warsaw Pact; and their inhibitions about leaving are likely to decrease further once the Soviet Union is definitely out of Eastern Europe.

The Defence Needs of the East Europeans

The changes in Europe have given the East Europeans the opportunity to think for themselves about their defence needs and outlook - for the first time in 40 years. The Hungarians in particular want to align themselves as closely as possible with the West. Antall's comment that Hungary did not want to become neutral is significant. Our response so far has been to encourage them to look to a strengthened CSCE as the best guarantee of their independence, and a framework for building trust and confidence on security and other issues. A number of East Europeans have been casting around for something more. Antall's suggestion of a loose defence organisation involving Hungary, Czechoslovakia and Poland represents one possible answer, but it is unlikely to appeal to the Poles in particular, and may well not come to anything. This suggests that we should take a detached line on it, leaving the Hungarians to show whether they can make something of it.

Relations with Western Defence Organisations

The NATO Summit in London agreed that political contacts between NATO and the Soviet Union/East Europeans should be developed; this is now happening. But we have discouraged any ideas of East European membership of NATO (as the Prime Minister said at Turnberry "NATO cannot itself offer them security guarantees, nor is it realistic to think of extending NATO's membership at present".) Apart from Soviet sensitivities, there would be disadvantages for us in allowing membership of NATO by East European countries as they are now. The military common denominator of such a body would probably be low: the East Europeans would strengthen the French/Spanish tendency rather than joining the integrated military structure. And such a NATO would inevitably find itself in competition with the CSCE as a framework for relations between all European states.

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East European membership of the WEU raises some of the same problems. As in the case of NATO, it would imply extending the collective security guarantee to East European territory: Article 5 of the WEU treaty requires the remaining parties in the event of an attack in Europe on one of their number, "to afford the party so attacked all the military and other aid and assistance in their power". It would also precipitate demands from NATO members who are not members of the WEU (particularly Turkey and Greece) for earlier membership.

Mr Antall's suggestion of an association between the WEU and a loose East European defence group is a vaguer concept. The purely European character of the WEU is presumably attractive to the East Europeans (and might make the idea less sensitive to the Soviet Union than association with NATO). We should not rebuff this expression of interest. We should need to be clear that there was no question of full WEU membership, and the associated security guarantees. But we would welcome a dialogue between the WEU and East European countries of the kind already in place with NATO and envisaged at the WEU Ministerial in April this year. We could ask the Hungarians to let us know whether they would want us to pursue this idea within the WEU. We could add that the European situation continues to evolve and that we should not be making cut and dried arrangements for the future until things were clearer.

Conclusions

We recommend that in responding to Mr Antall, the Prime Minister might make the following points (these would also serve if the subject comes up in Czechoslovakia):

- the situation in Europe is developing in a promising way. Hungarian security is enhanced by the withdrawal of Soviet forces and the prospective CFE agreement. Important to do nothing that might complicate this development
- the future of the Warsaw Pact is for its members to decide. But we fully understand the wish of Hungary to make other arrangements for its security

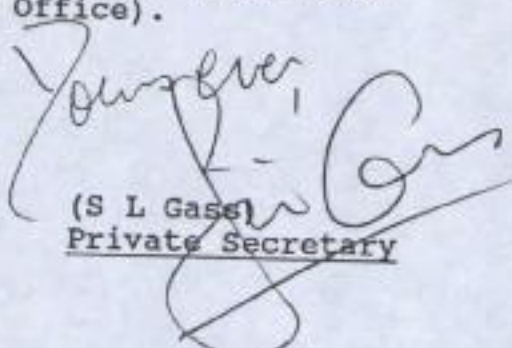
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- it is not realistic to think in terms of East European membership of NATO or the WEU at present. Given Soviet sensitivities, this would not promote stability in Europe. NATO cannot itself give security guarantees to the East European countries. But following the NATO Summit in London, a dialogue between individual East European countries and NATO is underway
- we believe that the best guarantee of the security of the East European countries will be political stability and economic progress throughout Europe. The CSCE has an important part to play here; and the CSCE Summit will be taking further steps such as the creation of a conflict prevention centre
- we were interested by Mr Antall's ideas of a loose security/consultative organisation involving Hungary, Poland and Czechoslovakia. Our own experience of a truly voluntary collective defence organisation has been very positive. But that is not necessarily a model which could be applied elsewhere. Hope he will keep us informed of developments
- we would for our part welcome the idea of an enhanced dialogue between Hungary building on the WEU Secretary-General's visit and the WEU as well as with NATO. Would Hungarians let us know if they would like us to take up the idea with our WEU colleagues?
- this seems to us the right first step. It does not foreclose any options for the future. With Europe in transition we need to proceed cautiously. A dialogue with NATO and the WEU could in due course open the way to closer links with either or both organisations.

I am sending copies of this letter to Simon Webb (MOD) and Sonia Phippard (Cabinet Office).


(S L Gasse)
Private Secretary

C D Powell Esq
10 Downing Street

CONFIDENTIAL



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Foreign and Commonwealth Office

London SW1A 2AH

14 September 1990

Dear Charles,

Prime Minister

*COO
14/9*

Prime Minister's Visits to Hungary and Czechoslovakia

Briefing on the impact of the Gulf Crisis on Hungary and Czechoslovakia has been held back to include the latest information.

The Hungarian and Czechoslovak Governments have given strong vocal support to SCR 661 in public and in bilateral contacts. Both Governments formally retain Embassies in Kuwait and kept staff there beyond the 24 August deadline. The Hungarians withdrew their diplomats on 26 August. The Czechoslovak diplomats left only this week. Most Hungarian and Czechoslovak citizens who wished to leave Iraq and Kuwait seem to have been allowed to go. The Hungarians helped a British citizen to get out with one of their own contingents. The Iraqis have been approaching all the East Europeans with enticing offers designed to induce sanctions busting. We have no evidence that any are proposing to take these up.

Like other Eastern European countries, Hungary and Czechoslovakia will experience the triple economic impact of higher world oil prices from all sources, foregone debt repayments and forfeited trade. The effects will be magnified next year when they have to pay hard currency for Soviet oil imports. Mr Antall told the Prime Minister in Helsinki that the Hungarians would welcome financial compensation. The Czechoslovaks have communicated, through the Italian Presidency in Prague, a request for an emergency meeting of the G24 to discuss the possibility of an emergency soft loan for Czechoslovakia. This followed a public suggestion by M Delors (on 21 August) that there should be discussions within the G24 about helping East European countries. Discussion within the G24 might be useful but is no substitute for action within existing institutions. The IMF, through its Compensatory and Contingency Financing Facility, could help Hungary and Czechoslovakia.

The Prime Minister may wish, as necessary, to draw on the following:

- Grateful for your resolute stand in support of SCR661; important that the international community stands together;

/-Harsh



- Harsh fact that many countries are suffering from implementation of the Embargo. Recognise existing economic difficulties for Eastern Europe made worse by Gulf Crisis;
- Believe most requests for assistance should be dealt with using existing mechanisms (eg IMF) in ordinary course of business as cases come up.
- (If Czechoslovaks ask for G24 soft loan) Request should be addressed to IMF/World Bank, which will need to be convinced of the balance of payments needed.
- G24 might usefully discuss and coordinate the assistance provided by individual countries and international institutions. G24 has no resources itself to undertake major initiatives.

A handwritten signature in dark ink, appearing to read 'S L Gass', written in a cursive style.

(S L Gass)
Private Secretary

C D Powell Esq
10 Downing Street

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

Miss Caroline Slocock
Private Secretary to the Prime Minister
10 Downing Street
London
SW1A 2AA

Department of
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1-19 Victoria Street
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Direct line
Our ref
Your ref
Date

071 215 5622
NP1044

14 September 1990

Dear Caroline,

VISIT OF THE PRIME MINISTER TO CZECHOSLOVAKIA

The Prime Minister has already been briefed on general UK/Czechoslovak trade matters, which were included in background papers from the Foreign and Commonwealth Office. However, one particular trade topic which was not included in the original material, but might be raised during the visit, is the question of the Voluntary Restraint Agreement which limits the import of Czechoslovak steel into the European Community. Czechoslovak officials might seek assistance here as an example of an area where the UK could assist the troubled Czechoslovak economy.

There is only a slight chance of the subject being raised. This means that it is probably not worthwhile placing the attached papers within the Prime Minister's brief. However, and at the risk of being accused of asking you or someone else to act as postman, perhaps they could be passed to Mr O'Keeffe, HMA in Prague, for his, and the Prime Minister's information, should they be required?

Rosalind Giff.

VISIT OF THE PRIME MINISTER TO CZECHOSLOVAKIA

EC VOLUNTARY RESTRAINT AGREEMENT (VRA) ON CZECHOSLOVAK STEEL

Background

1. Czechoslovak steel exports to the EC are restrained by a VRA, which limits imports into individual member states in return for Czechoslovak immunity from anti-dumping action. This is one of 10 such arrangements introduced in 1978 as part of the EC steel crisis measures, and is negotiated annually. The EC plans to phase out the VRAs by March 1992.
2. The levels for the 1990 VRA on Czechoslovak steel imports were increased significantly, providing a limit of 21,190 tons onto the UK. We were approached by the Czechoslovak authorities and asked to increase the limit to 26,000 tons (with similar increases for individual products within the overall ceiling). In order to prevent the Czechoslovaks getting out of line with the other VRAs, and because the UK steel market has weakened this year, we indicated we could accept a ceiling of 22,800 tons, subject to Commission approval. However, Czechoslovak licence applications now exceed even this figure, and we have started to reject applications pending Community approval of the higher level.

EEP/3



Line to Take (Defensive, as necessary)

- Quota levels for imports of steel were increased by 15% at the beginning of this year.

- Recognise Czechoslovak desire to sell more steel. Cannot meet your request in full, but have indicated we would be prepared to see a more modest increase.

- Czechoslovak request being discussed in Brussels this week (18 September), but we know some member states are concerned about further access.

- Czechoslovak applications for UK import licences already exceed the agreed 1990 levels and those higher levels we were prepared to contemplate. Not helpful if Czechoslovak authorities continue to issue export licences, since it brings into question the ability to adhere to any new levels.

EEP/3A



Ali

ea

MR. THATCHER

CZECHOSLOVAKIA, HUNGARY, SWITZERLAND TOUR

I attach a folder of material for the tour. Inside is a note from Peter Bean in Press Office covering your programme and highlighting the visits you will be making separately from the Prime Minister.

Briefing notes for most such visits are flagged at the front of the folder. Briefing for your visits in Budapest to Ganz-Hunslett and to Price Waterhouse are promised by our Embassy before we depart from London on Sunday.

The remaining sections of the folder are mainly for you to dip into as the interest takes you. They contain programme notes on those visits where you will be accompanying the Prime Minister, biographical notes and a selection of background notes from the (voluminous) briefing which the FCO have provided for the Prime Minister. This last is very much the "optional reading" part of the folder!

DOMINIC MORRIS

14 September 1990

c:\parly\czech (ecl)

R1319

13/9/90

CD
20/9

Dear Charles,
17 of her love I

From Lord Wyatt of Weeford.

Herewith a few suggestions of what the Prime Minister might consider saying. Also the recommendation for Pastor Tokes to be awarded the Nobel Peace Prize which has been sent to me by Father Tutto, a well know clergyman of Hungarian origin active in trying to help Hungarians ^{in a way which} ~~who~~ ^{he} lives in England. It may be of interest as background for the Prime Minister in any case. *I have suggested she should visit Tokes in his home in Hungary - a place which was considered it would be more easily tolerated. There was a plan for Hungary to visit with the UK. by 1 Oct?*

a) For Hungarians Transylvania will always have a special place in their hearts as part of the original kingdom of St Stephen, first king of Hungary in 997. During the 140 year occupation of most of Hungary by the Turks, Transylvania held out and kept alive the spirit and identity of the Hungarian nation.

But for the Hungarian led resistance in Transylvania the Turks would ~~probably~~ have taken Vienna and continued an onward march to the West. We might all have been part of the Turkish Empire.

I understand your feeling of sadness that after the first world war Transylvania became part of Romania. Inevitably war often brings drastic alterations which noone can prevent.

The two million Hungarian minority in Transylvania still fiercely ^{fight for democratic liberties} keep alive ~~the spirit of freedom~~. It was no accident that the revolution which overthrew Ceausescu was inspired by a Hungarian.

T. MILLER

It was Pastor (now Bishop) Tokes of the Calvinist Hungarian Reform Church in ^{Temesvar} ~~Temesvar~~ who lit the spark. Bravely on television he had ^{denounced} blamed Ceausescu for his destruction of villages in Northern Transylvania. [He fought for Hungarian liberties and the use of their own language and education. When he was ordered to leave his church and his congregation he refused. [When the security police were on their way to arrest him he still resisted. And here came the miracle.

The Romanian community were deeply moved by the fearlessness, honesty and decency of Father Tokes. They joined in the demonstrations against his arrest. [By the time Father Tokes was dragged off by the security police to a mountain village to be interrogated the whole of ^{Transylvania} Temesvar was alight with revolution - Hungarians and Romanians alike.

Romanians and Hungarians combined in friendship for one purpose - the overthrow of the tyrant Ceausescu. Centuries of enmity between the two communities were turned into friendship by Father Tokes who detested violence.

From then on Ceausescu was doomed. The unknown Pastor brought peace between the nationalities in Romania. I hope that peace will last however much evildoers try to break it.

The British government shares the concern of the Hungarian government. All is not yet well for democracy and even handed treatment between the nationalities in Romania. We should do what we can to persuade the Romanian government not to slide back into the behaviour of the previous regime.

- (b) You are embarking on a brave adventure. To fashion a flourishing free enterprise economy out of nearly half a century of deadening Marxist communism will be enormously difficult.

You know that it must be done but old ways die hard. Many will wish that the decaying system was still there.

It was rotten but it provided some certainty at a low and ever reducing subsistence level. The changeover will bring pangs of temporary unemployment.

It will be resisted by those who think ^{it} sacrifices are not worth the better future. I know.

We had the same problem when we began to privatise our heavily subsidised nationalised industries in 1979. But we released the energies of free enterprise panting to please the customer and relieve the taxpayers.

Now we have the highest standard of living we've ever had - and the highest number of people in employment. The privatised industries contribute mightily to our tax revenues instead of being a punishing burden.

So don't be discouraged when times are tough. We've proved it can be done if you're prepared to face and overcome the ^{difficulties} difficulties.

What we have ^{did} done hard working ingenious Hungarians can and will do. I'm confident of it. Your nation has never given in however stiff the challenge.

Norwegian Nobel Committee
Nobel Peace Prize
Strømgaten 19 Oslo
NORWAY

I/we petition that the Nobel Peace Prize be awarded to Pastor (now Bishop) László Tőkés and to his congregation.

Pastor Tőkés, of Hungarian nationality in the Reformed Church of Romania, took upon himself to initiate actions which, in the event, led to the overthrowing of the worst stalinist oppression that has been imposed in any European country since the frontiers of Europe were formed after the second world war. These actions, well illustrated and documented in interviews on films and video-tape, while seriously endangering his own life, sparked off a revolution which astonished the world. The stance and resistance of Pastor Tőkés culminated in a changed leadership at Christmas-time - the time for love and peace.

Facing all insults that were hurled against him and against all Hungarian nationals, László Tőkés raised his voice in the cause of human rights in Romania, against the persecutions of Romanian citizens of all nationalities and against the crimes committed against communities in villages and towns.

By the example of his life spent campaigning for human rights and for reconciliation between peoples of different religions, languages and convictions who lived in a world of purposefully incited hatred, he, Pastor Tőkés achieved that which many tried to attain in vain for many years. Through the respect and support from his own mixed community arose the first sparks of resistance to persecution, oppression and violence, though he never preached violence himself.

There was no support from any organisation behind Pastor Tőkés, - he received no help from foreign churches or from diplomatic bodies, and world public opinion did not protect him, indeed, he was totally exposed to the persecution by the Romanian state and even by his own church superiors.

In the event, it was his personal bravery, his open stance, together with his congregation's endurance and declaration of peaceful intent that toppled the tyrannical state, opened the door to foreign countries and brought increased freedom. For a time, it appeared as if nationalist strife could be made a thing of the past. This would have been fitting for Transylvania - the country of Pastor Tőkés - where several nationalities lived together in the past in religious tolerance and highly developed culture.

For a long time now, since the first world war, there had been little chance for a truly peaceful life here. All the more would we ask to have this Prize awarded to Pastor (now Bishop) Tőkés and his congregation as recognition of the peace-loving endeavours of the individual, the person of no political power but great conviction, in a part of Europe where such endeavours need the support of the whole world.

MR THATCHER

~~Mr Town~~

J.I.

pm.

VISIT TO CZECHOSLOVAKIA, HUNGARY AND SWITZERLAND:
16-23 SEPTEMBER 1990

I attach an outline programme for your visit next week. I have highlighted those areas of the programme where you will be undertaking a separate programme from the Prime Minister.

CZECHOSLOVAKIA

You will be spending most of Monday (17 September) attending the BRNO Trade Fair. Dominic Morris will accompany you to the Trade Fair, together with a member of the Commercial Section from our Embassy in Prague. The Department of Trade and Industry are providing some background briefing which I will submit as soon as received.

On the Tuesday, the Embassy have suggested a tour of Bratislava after the lunch in honour of the Prime Minister, rejoining her just before the press conference.

HUNGARY

The Embassy have arranged a call on Price Waterhouse in Budapest followed by a visit to the National Museum (would you want to do this?), before rejoining the Prime Minister for her press conference.

SWITZERLAND

On arrival in Zurich, the Prime Minister will go on by air to Berne while you depart by car for Sulzer Brothers in Winterthur. (An Embassy briefing on Sulzer Bros is attached.) Dominic will accompany you together with our Consul-General in Zurich, Tony Morgan. Lunch will be with the British-Swiss Chamber of Commerce.

Are you content with the programme, please?

Peter Bean

PETER BEAN
Press Office

13 September 1990

PRIME MINISTER'S VISIT TO CZECHOSLOVAKIA
HUNGARY AND SWITZERLAND
MR. THATCHER'S PROGRAMME

Sunday 16 September

1430 Take off LHR
1730 Arrive Prague - Official arrival ceremonies (guard of honour and march past)
Press will cover arrival
1800 Arrive Residence - short briefing
c1830 Depart for Old Market Square
1835-1850 Walkabout
Press will cover
1900 Return to Residence
1930 (for 2000) Dinner with non-official Czechs

Monday 17 September

0925 DEPART RESIDENCE FOR BRNO
1100 ARRIVE BRNO ENGINEERING FAIR
1145 CALL ON STAND OF THE BIRMINGHAM CHAMBER OF COMMERCE (DTI SPONSORED JOINT VENTURE) TO MEET REPRESENTATIVE COMPANIES
1230 CALL ON GAMBICA STAND (TRADE ASSOCIATION FOR INSTRUMENTATION COMPANIES)
1315 DRINKS AND LIGHT LUNCH AT BRITISH INFORMATION STAND (GUESTS TO INCLUDE BRITISH AND CZECHOSLOVAK OFFICIALS, CHAMBER OF COMMERCE STAFF AND BUSINESSMEN)
1430 VISIT STANDS OF MAJOR UK COMPANIES AND VIEW OUTDOOR EXHIBITS
1615 DEPART FOR PRAGUE
1730 ARRIVE RESIDENCE
1930 Formal dinner given by Ambassador

Tuesday 18 September

0910 Depart Residence for Federal Assembly
0925 Attend Prime Minister's speech
1015 Depart for Wenceslas Square
1020 Arrive - walkabout followed by coffee
1040 Depart Square
1045 Arrive Winston Churchill Square to unveil name plaque

(with President Havel)
Press pool to cover unveiling
1055 Depart for airport
1110 Arrive airport
1115 Depart by air for Bratislava
1215 Arrive Bratislava: met by PM Meciar
Press will cover arrival
Depart for Hotel Borik
Photocall before lunch begins
1425 Meet Mayor of Bratislava and then short tour of
Bratislava
1550 Arrive press conference venue to rejoin Prime Minister
1620 Depart for Airport
1635 Arrive: farewell ceremonies
Press will cover departure
1645 Depart for Budapest

Tuesday 18 September

1730 Arrival at Ferihegy 1 Airport
Met by Protocol officials: embark cars and drive to
Kossuth Square
Small press pool will cover arrival
1750 Arrive Square: welcoming ceremonies
Press will be present
1800 Depart for residence
1810 Arrive residence
1945 Depart Residence for Gundel Restaurant with the Prime
Minister
2000 Official dinner hosted by PM Antall
Press will be present for arrival and for the toasts
before dinner begins
c2200 Return to Residence

Wednesday 19 September

0815 Depart Residence for Wallenburg Memorial
0820 Arrive Memorial: Prime Minister lays bouquet, short
discussions with representatives of Jewish community
Press will be present
0830 Depart for Heroes Square
0845 Arrive Square: Prime Minister lays wreath

Press will be present
0850 DEPART FOR GANZ-HUNSLETT
0920 ARRIVE. TOUR OF WORKSHOPS BRIEFLY FOLLOWED BY
VISIT TO ANGLO-HUNGARIAN ENTERPRISE CENTRE (SITUATED ON
SAME SITE)
1100 DEPART FOR STOCK EXCHANGE
1130 Arrive: rejoin the Prime Minister to look at operations
at the Stock Exchange
Press will cover visit
1145 Discussions with private entrepreneurs over a light
lunch
Photocall before lunch
1245 View Herend products and meeting with management and
workers
Small pool will cover viewing and introductions to
workers
1315 Depart Herend display for British Embassy - short walk
to cars and then drive to Square near Embassy.
Walk through Square - press will cover walkabout
1330 Arrive Embassy
1400 DEPART EMBASSY FOR PRICE WATERHOUSE
1415 ARRIVE PRICE WATERHOUSE
1445 DEPART FOR VISIT TO NATIONAL MUSEUM
1500 ARRIVE NATIONAL MUSEUM
1530 DEPART FOR PRESS CONFERENCE AT HILTON HOTEL
1545 ARRIVE. ESCORTED TO SUITE TO AWAIT PRIME MINISTER'S
ARRIVAL
1600 Attend joint Press Conference with PM Antall
1700 Return to the Residence
1900 Attend HMA's Reception
c2030 HMA's supper for small group of guests
c2200 Supper ends

Thursday 20 September

0745 Depart Embassy for Ferihegy 1 Airport
0805 Farewells
Press will cover departure
0815 Depart by VC10 for Zurich
0955 ARRIVE ZURICH
MET BY HM CONSUL GENERAL MR. A. H. MORGAN CMG WHO WILL

ACCOMPANY THROUGHOUT THE PROGRAMME
1005 DEPART ZURICH FOR WINTERTHUR
1030 ARRIVE SULZER BROS, OBERWINTERTHUR
GREETED BY MR. ALOIS OSTERWALDER, DIRECTOR FOR EAST AND
WEST EUROPE AND SOUTHERN AFRICA, SULZER INTERNATIONAL,
AND MR. JEAN-CLAUDE NEUPPERT, PUBLIC RELATIONS OFFICER
VISIT TO SULZER'S TRIAL WEAVING FACILITY
1100 SHORT COFFEE BREAK
1110 VISIT TO SULZER MEDIZINAL TECHNIK FOR PRESENTATION ON
THE PARENT COMPANY'S RANGE OF MEDICAL PRODUCTS,
INCLUDING HIP AND KNEE JOINT PROSTHESES AND ON
VASCOTECH, A COMPANY WHICH THE GROUP HAS RECENTLY
ACQUIRED IN SCOTLAND
1215 LEAVE WINTERTHUR FOR ZURICH
1245 FOR LUNCH GIVEN BY THE BRITISH SWISS CHAMBER OF COMMERCE
1300 AT THE BAUR AU LAC CLUB
C1430 DEPART FOR BERNE
C1615 ARRIVE HMA RESIDENCE, BERNE
1830 Join Reception given by the British Ambassador
1930 Leave for Kehrsatz
1945 Dinner given by the Federal Council (Dark suit/short
dress)
Photocall before dinner
c2230 Dinner ends: return to residence

Friday 21 September

0745 Leave residence
0740 Depart by special train for Basle
(Breakfast on the train)
Press will cover arrival and embarkation and will also
travel on train
0910 Arrive Basle station: leave for CIBA-GEIGY
0930 Arrive CIBA-GEIGY. Short briefing on arrival followed
by a brief visit to a research laboratory. Drive to a
production facility within the Ciba-Geigy compound
Press will cover arrival and tour of the production
facility
1030 Leave CIBA-GEIFY for helipad
1040 Arrive helipad: embark helicopter for sightseeing
flight through the Alps

1115 Touch down at Mannlichen, near Grindelwald
Press will cover stop on the mountain

1145 Take off for Zurich

1215 Arrive helipad: depart for luncheon engagement

1220 Arrive Muraltengut
Photocall on arrival
Opportunity to freshen up

1235 Aperitif followed by:

1245 Lunch given by the Canton and City of Zurich

1430 Depart for Munsterplatz

1440 Meeting at Zunfthaus Zur Meisen with the Vorort
Press will cover arrival: short photocall before
meeting

1540 Depart for visit to textile factory (by helicopter)
and then on to Freudenberg
Press will cover visit to the factory

c1745 Arrive Schloss Freudenberg

c:\dt
(slh)

SULZER BROS LTD, WINTERTHUR

Background

1. Founded in 1834, the Sulzer Group is Switzerland's second largest engineering company (after ASEA Brown Boveri). Turnover in 1989 increased by 18% to SFR 6375 million, say £2.6 milliard). The company employs about 34,000 people world-wide, of whom some 17,000 are in Switzerland.
2. The Sulzer group is highly diversified. In addition to its traditional activities - the manufacture of weaving machinery, locomotives, gears and pumps and paper making machinery, it manufactures heating, air conditioning, refrigeration and contracting equipment, medical equipment, thermal turbomachinery and power systems and compressors. The diesel engine division has recently been hived off to form New Sulzer Diesel AG, a joint-venture with Italian and East and West German companies.
3. In common with other large Swiss heavy engineering companies with global interests, Sulzer ran into serious difficulties during the recession of the middle to late 1970's and early 1980's. They embarked on a radical programme of product diversification and company restructuring, moving away from their traditional but often loss making activities into new technologies and potential growth areas. The process continues and Sulzers seem to have emerged successfully from their difficulties. They are expected to continue to prosper into the 90's.
4. Sulzers were the subject of a hostile take-over bid in 1989. This was successfully fought off, at the price of accepting on the Board a white knight in the form of the financier, Mr Werner K Rey. He was slightly more acceptable to the company than the original bidder, Mr Tito Tettamanti, a colourful Ticinese entrepreneur, who is anathema to the German-Swiss business community.
5. Sulzers have major manufacturing subsidiaries in the United States, Germany, France, Italy, Spain, Brasil, India and Japan. They have significant British operations with subsidiaries based in Farnborough with 700 employees, handling the distribution of heating and air conditioning equipment and products from other parts of the Sulzer range. Their main manufacturing activities in the UK are based in Leeds, where they produce a wide range of pumps. Employees total 500. UK turnover is in excess of £ 120 million. The company has

won the Queen's Award for Technological Achievement for technical excellence in the field of cryogenics.

6. A separate division, Sulzermedica, was formed in January 1990 to consolidate the group's activities in the medical equipment sector. This followed the take-over in 1988 of the American concern Intermedics, manufacturers of cardiac pacemakers and artificial heart valves. Sulzers recently acquired the Scottish company, Vascutek Limited of Glasgow, manufacturers of plasticised fabric artery substitutes. These acquisitions complemented Sulzers' traditionally strong position in the orthopaedics sector.

The visit to the company

7. The visit will last around one and a half hours. It will begin with a visit to the company's trial weaving unit, a customer service facility where advice is given on adjusting Sulzer machinery to accommodate new filaments and threads and where new weaving patterns are designed. Mr Thatcher will see Sulzer machinery in operation at the factory of Fritz & Caspar Jenny at Ziegelbrücke on 21 September.

8. There will be a short coffee break at about 11.00 and this will be followed by a visit to Sulzermedica. Mr Thatcher will be shown a short video and this will be followed by a visit to the production facilities.

Personality Note

9. A short note on Mr Osterwalder is attached.

Enc.

British Consulate General, Zürich,
September 1990

ALOIS OSTERWALDER

Senior Vice President, Sulzer Bros, Ltd, Winterthur.

Educated at St Gallen Graduate School of Economics (MBA 1965) and the Harvard Business School. Joined Sulzers in 1969. Manager, Group Marketing Services, Sulzer Canada Inc from 1976 to 1980, in which year he became Vice President at Dominion Bridge-Sulzer Inc. Became Regional Manager Europe-North America at headquarters in 1981. He is currently Regional Manager for East and West Europe and Southern Africa in the Sulzer International group, responsible for companies and sales offices in the region. Member of the Boards of various Sulzer Group subsidiaries including Sulzer UK (Holdings) Ltd and Sulzer UK Ltd.

British Consulate General, Zürich,
September 1990

GUEST LIST FOR LUNCH GIVEN IN HONOUR OF MR DENIS THATCHER MBE
BY THE COUNCIL OF THE BRITISH-SWISS CHAMBER OF COMMERCE

Mr Bryan Jeeves	Vice President of the British-Swiss Chamber of Commerce. Partner Lexadmin Trust Co of Liechtenstein.
Mr Hansjoerg Bendel	Director, Linde Lansing Fördertechnik AG, Dietlikon.
Mr Hans-Ueli Berger	First Vice President, Swiss Bank Corporation
Mr Hans-Ruedi Dürr	Director, Ciba-Geigy Ltd, Basel
Mr Anthony Farnfield MBE	Manager for Switzerland and Austria, British Airways
Mr Michael Fornara	Principal Manager, Switzerland, Lloyds Bank Ltd, Geneva
Dr Hans Halbheer CBE	Senior Vice President, Crédit Suisse, Zürich
Mr Barry Martin	General Manager, Royal Bank of Scotland Zürich
Mr Jean-Pierre Müller OBE	Managing Director, ICI (Switzerland), Zürich
Mr Alois Osterwalder	Vice President, Sulzer International Group, Winterthur
Mr Jorn Perch-Nielsen	General Manager, Shell (Switzerland) Zürich
Mr Wolf von Quast	General Manager, Standard Chartered Bank, Zürich
Mr Alan Rae CBE	Chairman, Ciba-Geigy plc, London
Mr Urs Schild	Senior Vice President, Union Bank of Switzerland, Zürich
Mr Gavin Trechman	General Manager, BP (Schweiz) AG, Zürich
Mr Anthony Morgan CMG	HM Consul General and Director of British Export Promotion in Switzerland and Liechtenstein
Mr Michael Smith	HM Consul (Commercial), Zürich

British Consulate General, Zürich,
September 1990.

**PERSONALITY NOTES ON GUESTS AT BRITISH-SWISS CHAMBER OF
COMMERCE LUNCH**

BRYAN JEEVES

Vice President of the British-Swiss Chamber of Commerce.

Born 1940. Worked with the Pearl Insurance Company and Universal Sales Inc from 1957 to 1963. On his marriage to a Liechtensteiner settled in the Principality and started a translation bureau. Has since built up a number of successful business ventures. Is a Partner in Bissig, Jeeves & Partners, Consultants, and in Lexadmin Trust, a fiduciary and trust company. Chairman of SLT Expeditions Group, an international freight forwarding company, including Foster Biggs & Sons Ltd of London, the Jeeves family business. Partner in the Russia Group, which handles music publishing and recording rights. Has been a Councillor of the British-Swiss Chamber of Commerce since 1981 and Vice President since 1990.

HANS-JOERG BENDEL

Director, Linde Lansing Fördertechnik AG.

Born and educated in Switzerland. Graduated in 1948 from the Federal Institute of Technology, Zürich (ETH) as a mechanical engineer. After working in the automotive industry and as Technical Editor of the Swiss motoring weekly "Automobil-Revue" from 1951 to 1952, joined Lansing Bagnall in 1957 with the task of starting and developing a network of subsidiaries and distributorships throughout Central Europe. A Director of the parent company from 1958 until the merger with Linde, supervising Group activities in continental Europe.

HANS-UELI BERGER

First Vice President, Swiss Bank Corporation, Zürich, responsible for the UK and Ireland.

Educated at the Cantonal Commercial College in St Gallen, at the New York Institute of Finance and the American Institute of Banking. Joined the Swiss Bank Corporation in 1961. In the bank's New York Branch from 1967 to 1970 and representative in Johannesburg from 1972 to 1979.

HANS R DUERR

Head of Regional Services at Ciba-Geigy, since 1984.

Born 1930. Joined Ciba-Geigy in 1947 as a commercial apprentice and has spent his whole working life in the company. Worked at Ciba-Geigy's Duxford plant in 1953. Appointed Director of Commercial Relations in Ciba-Geigy UK in 1976. Appointed head of Regional Services in Ciba-Geigy in Basel in 1979 and acts as the company's shareholders' representative in most of the European subsidiaries. A vice President of the British-Swiss Chamber of Commerce in Zürich.

ANTHONY FARNFIELD MBE

Manager for Switzerland and Austria, British Airways.

Born 1939. Has worked as an Overseas Manager for British Airways for many years. Before coming to Switzerland in 1988 was BA Manager in Denmark. Other assignments have included Poland, Lebanon, Zimbabwe, the Caribbean, Ethiopia and West Africa. Awarded the MBE in 1986 for services to British civil aviation interests.

MICHAEL FORNARA

Principal Manager for Switzerland, Lloyds Bank, Geneva.

Born 1943. Educated at St Paul's School, London. Joined Lloyds Bank in 1961 and transferred to Lloyds Bank Europe in 1966. Served in the bank's branches in Cannes and Paris and with the Bank of London and South America in Paris and Valencia before being transferred to Geneva in 1982 as Assistant Manager for Investments. Appointed Manager for Private Banking in 1983 and later Senior Manager in charge of Marketing and Product Development in the International Private Banking Group in Geneva. In April 1988 he was promoted Principal Manager for Switzerland responsible for the bank's private banking activities in Switzerland. Became the British-Swiss Chamber of Commerce Councillor for the Geneva Area in 1989.

DR HANS HALBHEER CBE

Senior Vice President, Crédit Suisse.

Born 1925. Educated at the Universities of Zürich, Geneva and Stanford, California (Dr of Law). Joined the Bank of America in San Francisco and worked there for a number of years before joining Crédit Suisse in 1964. From 1971 to 1974 was head of the Swiss Trade Development Office in Zürich (rough equivalent of the BOTB). Then rejoined Crédit Suisse and is now Senior Vice President in charge of Public Affairs. Was President of the British-Swiss Chamber of Commerce from 1980 to 1983. Awarded the CBE in 1985.

BARRY MARTIN

General Manager of the Royal Bank of Scotland, Zürich, since 1990.

Joined Glynn Mills & Co in London in 1968 and stayed with the bank through its mergers with Williams Deacons in 1970 and the Royal Bank of Scotland in 1985. Has worked mainly in the City of London. His present appointment is his first job abroad.

JEAN-PIERRE MUELLER OBE

Managing Director, ICI (Switzerland) AG.

Born 1931. After completing business studies worked for two years in the UK before joining ICI (Switzerland) AG in 1956. Became Chief Executive of the ICI (Switzerland) Group in 1976. President of the Swiss Plastics Industry Federation. President of British-Swiss Chamber of Commerce in Switzerland from 1985 to 1987. Awarded the OBE in 1988.

ALOIS OSTERWALDER

Senior Vice President, Sulzer Bros, Ltd, Winterthur.

Educated at St Gallen Graduate School of Economics (MBA 1965) and the Harvard Business School. Joined Sulzers in 1969. Manager, Group Marketing Services, Sulzer Canada Inc from 1976 to 1980, in which year he became Vice President at Dominion Bridge-Sulzer Inc. Became Regional Manager Europe-North America at headquarters in 1981. He is currently Regional Manager for East and West Europe and Southern Africa in the Sulzer International group, responsible for companies and sales offices in the region. Member of the Boards of various Sulzer Group subsidiaries including Sulzer UK (Holdings) Ltd and Sulzer UK Ltd.

JORGEN PERCH-NIELSEN

General Manager and Chief Executive, Shell (Switzerland).

Born 1936. Educated at the Danish Technical University in Copenhagen. Graduated as a Chemical Engineer in 1960 and in Business Administration in 1963. Joined Shell in 1962 in Denmark and after having filled various positions in Shell offices in Europe was appointed General Manager, Shell Austria, in 1983. Was coordinator for Eastern Europe for Shell International Petroleum Co in London from 1986 to 1989, when he was appointed to his present post.

WOLF VON QUAST

Chief Executive, Standard Chartered Bank, Switzerland.

Born 1941 in Brandenburg. Family fled to the west in 1945. After schooling and military service, joined Bankhaus Conrad Hinrich Donner, a private bank in Hamburg, as an apprentice. Studied for the banking diploma of the Hamburg Chamber of Commerce. Joined Chartered Bank in 1966 as a member of the bank's international overseas staff and has since served in Hong Kong, Singapore, Tokyo, Hamburg and Frankfurt. Was Manager in Abu Dhabi from 1985 to 1988. Appointed in 1988 to run Standard Chartered Bank's three operating units in Zürich and Geneva concentrating on private banking.

ALAN RAE CBE

Former Head of Ciba-Geigy UK.

Born 1925 in Scotland. Law degree from Glasgow University. Legal practice in India for 15 years. Joined Ciba-Geigy in Basel as Director of Legal and Patents Department in 1964. Member of the Management Committee in Basel in 1969. Appointed Chairman of Ciba-Geigy Group in the UK in 1971 and made a Member of the Executive Committee of the parent company. From 1972 to 1987 was also responsible for Ciba-Geigy's operations in India, Pakistan, Japan and Australia. Member of the Council of the CBI in 1981. President of the Chemical Industries' Association in 1986 and Vice Chairman of the Business and Industry Advisory Committee to the OECD.

URS SCHILD

Senior Vice President, Union Bank of Switzerland.

Born 1928. Studied Law at University of Bern. Joined Union Bank of Switzerland in 1955 and has spent his whole career with that bank. Was in New York from 1963 to 1964. Thereafter returned to Zürich in the International Division. From 1967 to 1975 was in charge of correspondent banking in the United States and Canada and from 1975 to 1985 covered East and West Europe including country risk control. Has been attached to the Executive Board for special projects since 1989. A member of the Council of the British-Swiss Chamber of Commerce since 1980.

British Consulate General, Zürich,
September 1990

020
dti

the department for Enterprise

The Rt. Hon. Peter Lilley MP
Secretary of State for Trade and Industry

Miss Caroline Slocock
Private Secretary to
the Prime Minister
10 Downing Street
LONDON
SW1A 2AA

cc/c
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col
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Direct line
Our ref
Your ref
Date

071-215 5623
PE9120

13 September 1990

Dear Caroline,

**VISIT OF MR DENIS THATCHER TO THE BRNO ENGINEERING FAIR :
17 SEPTEMBER**

The Prime Minister and Mr Thatcher are visiting Czechoslovakia from 16-18 September. Mr Thatcher will travel to the Brno Engineering Fair on 17 September to meet some of the British companies exhibiting there.

I enclose briefing material for Mr Thatcher's visit to Brno, which covers:

- i) the background to the economic reform programme in Czechoslovakia;
- ii) UK/Czechoslovak Trade Relations; and
- iii) details about the British trade associations present at the fair, and a list of the people they are supporting.

Yours
Rosalind Cole

ROSALIND COLE
Private Secretary



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COMMENT: SUSPECT PART 1 OF 2 IS PRAGUE TELNO 714

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INFO IMMEDIATE ALL OTHER EAST EUROPEAN POSTS

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PART 2 OF 2
CORRECTED VERSION
MIPT: PRIME MINISTER'S VISIT: SCENE SETTER

8. THERE IS NO EVIDENCE YET OF ADVERSE PUBLIC REACTION TO THE FIRST STEPS TOWARDS A RATIONAL ECONOMIC STRUCTURE, THE SACRIFICES THIS ENTAILS BEING CONSIDERED BOTH DESIRABLE AND NECESSARY: BUT THE GOVERNMENT IS GOING TO NEED STRONG NERVES WHEN THE GOING GETS REALLY TOUGH. ALREADY THERE IS TALK THAT CALFA, FOR ONE, MAY NOT SURVIVE AND FINANCE MINISTER KLAUS HAS TOLD A CANADIAN VISITOR THAT HE MAY NOT BE IN OFFICE BY JANUARY. THE NEW LEADERSHIP REALISES (AFTER STUDYING OUR EXPERIENCES IN THE EARLY 1980'S) THAT THERE MUST BE SOME ENCOURAGING SIGNS SOMEWHERE IN THE ECONOMY TO OFFSET THE PAIN ELSEWHERE: HENCE THE ENTHUSIASM, FOR INSTANCE, FOR SMALL-SCALE DENATIONALISATION AND THE SENSE OF LIBERATION THIS IS EXPECTED TO BRING. EVEN BEFORE THE STARTING UP DAY AND DESPITE MANY PROBLEMS OVER PROPERTY RIGHTS, A FEW SMALL PRIVATE SHOPS AND RESTAURANTS HAVE ALREADY OPENED HERE IN PRAGUE BRINGING A WHOLLY DISPROPORTIONATE RAISING OF THE SPIRITS. THE CZECHOSLOVAKS ARE ALSO LOOKING FOR SOME ENCOURAGEMENT FROM ABROAD IN THE FORM OF FOREIGN INVESTMENT AND LARGE SCALE HELP FROM THE EBRD (AND PERHAPS ALSO SOME EMERGENCY AID FROM THE G24 OVER OIL): THE PRIME MINISTER CAN BE EXPECTED TO BE PRESSED ON THESE POINTS.

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TO IMMEDIATE FCO

TELNO 714

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SUMMARY

1. SCENE SETTER FOR THE PRIME MINISTER'S VISIT NEXT WEEK. ANXIETIES OVER THE FEDERATION, LAW AND ORDER AND THE ECONOMY BUT THE ECONOMIC CRUNCH IS YET TO COME. COURAGE AND RESOLUTION WILL BE NEEDED.

DETAIL

2. IN CONTRAST TO THE EUPHORIA THAT ATTENDED THE REVOLUTION LAST NOVEMBER AND THE ELECTIONS IN JUNE, THE PREVAILING MOOD HERE IS ONE OF APPREHENSION, EVEN PESSIMISM. PERHAPS THIS IS ONLY NATURAL. THERE WAS BOUND TO BE A REACTION AFTER THOSE HEADY DAYS AND THE EFFECT OF STRIDENT PUBLIC DEBATE IS UNDOUBTEDLY UNNERVING FOR A PEOPLE UNUSED TO FREE SPEECH. DIFFERENCES OF VIEW BETWEEN THE CASTLE AND THE GOVERNMENT, WITHIN THE GOVERNMENT ITSELF, IN THE NATIONAL COUNCILS AND THE FEDERAL ASSEMBLY ARE NOT SEEN AS THE STUFF OF DEMOCRACY BUT AS WORRYING EVIDENCE THAT THINGS ARE COMING APART. THERE IS WIDESPREAD CRITICISM OF THE SLOW PACE OF CHANGE WHICH IS SURPRISING WHEN ONE CONSIDERS HOW FAR THE COUNTRY HAS COME IN A FEW SHORT MONTHS OR REMEMBERS THAT THE INITIAL STAGES OF DENATIONALISATION, THAT OF PERSONAL PROPERTY AND SMALL BUSINESSES, BEGIN NEXT WEEK. I WOULD HOPE THAT ONE ELEMENT OF THE PRIME MINISTER'S MESSAGE TO CZECHOSLOVAKIA WOULD BE TO COMMEND WHAT HAS BEEN DONE SO FAR, NOT ONLY AS ACHIEVEMENTS IN THEMSELVES, BUT AS PROOF OF THE COUNTRY'S INNER STRENGTHS AS WELL.

3. THE PROBLEMS ARE NONETHELESS REAL ENOUGH. AT PRESENT THE MOST IMMEDIATE CAUSE OF CONCERN APPEARS TO BE THE EVIDENCE OF NATIONALIST TENSIONS NOT ONLY BETWEEN CZECHS AND SLOVAKS BUT EVEN BETWEEN THE CZECH SPEAKERS IE BOHEMIANS, MORAVIANS AND SILESIANS. THE LEADING CZECHS AND SLOVAKS ARE SINCERE IN THEIR EFFORTS TO MAKE THE FEDERATION WORK BUT, IN TALKING WITH MR BAKER A FEW DAYS AGO, THE CZECH PRIME MINISTER PITHART WAS CLEARLY WORRIED THAT PUBLIC SUPPORT WAS WANING IN BOTH REPUBLICS. HIS FEARS ARE TO SOME EXTENT BORNE OUT BY THE LATEST OPINION POLL WHICH SHOWS A CONSIDERABLE DROP IN SUPPORT FOR BOTH THE PUBLIC AGAINST VIOLENCE (VPN) AND THE CHRISTIAN DEMOCRATS AND A SMALL RISE (3 PERCENTAGE POINTS) IN SUPPORT FOR THE SLOVAK NATIONAL PARTY. THERE IS STILL A CLEAR MAJORITY IN FAVOUR OF FEDERATION AND THE NATIONALIST NUMBER ONLY 17 PER CENT OR SO: BUT THE WORRY IS THAT STRENGTH OF THE LATTER, FINANCED AND SUPPORTED FROM THE SLOVAK COMMUNITY ABROAD, WILL CONTINUE TO GROW PARTICULARLY IF, AS SEEMS POSSIBLE, ECONOMIC HARDSHIP HITS SLOVAKIA DISPROPORTIONATELY

MORAVIAN AND SILESIAN SEPARATISM IS LESS STRONG: THE ONLY REAL EFFECT OF THIS SO FAR HAS BEEN TO IMPEDE THE WORK OF THE CZECH NATIONAL COUNCIL (PARLIAMENT).

4. ONE DANGER IN ALL THIS IS THAT THE LEADERSHIP AND THE POPULATION WILL COMPOUND THEIR PROBLEMS BY WORRYING - AND TALKING - ABOUT THEM OVER-MUCH. IN THE NEGOTIATIONS OVER THE NEW, DEMOCRATIC, CONSTITUTION THERE IS A RISK OF CONCEDING TOO MUCH TO THE NATIONAL COUNCILS AND GOVERNMENTS AND TOO LITTLE TO THE FEDERAL COUNTERPARTS WHEN WHAT THE COUNTRY NEEDS IS FIRM GOVERNMENT AND CONSISTENT POLICIES IN THE FACE OF FORMIDABLE ECONOMIC PROBLEMS. MRS THATCHER MIGHT WISH TO EXPLORE THIS WITH THE PRESIDENT, THE PRIME MINISTER AND IN BRATISLAVA WITH MECIAR WHO HAS BEEN RESOLUTE AND CUNNING IN THE NEGOTIATIONS SO FAR ON THE DISTRIBUTION OF POWER BETWEEN THE FEDERAL AND THE NATIONAL AUTHORITIES. MY IMPRESSION IS THAT PRESIDENT HAVEL CONSIDERS THAT MUCH OF THE EXCITEMENT OVER NATIONALISM IS SOMETHING GOT UP BY THE NEWSPAPERS WHEREAS CALFA TAKES A MORE SOMBRE VIEW. IN THIS CONNECTION THE PRIME MINISTER MAY HEAR COMPLAINTS OVER HUNGARY'S ATTITUDE TO THE HUNGARIAN MINORITY IN SLOVAKIA. CZECHOSLOVAKS FIND THE HUNGARIANS TOO NARROWLY ETHNOCENTRIC, PAYING LITTLE REGARD FOR THE WIDER PICTURE.

5. ELSEWHERE THE POLITICAL SCENE IS NOT TOO DISCOURAGING AT LEAST FOR THE PRESENT. TENSIONS BETWEEN THE PRESIDENTIAL TEAM (PARTICULARLY WAGNER AT THE ECONOMIC ADVISER) AND THE GOVERNMENT (PARTICULARLY FINANCE MINISTER KLAUS) CONTINUE, AS THEY HAVE SINCE THE INCEPTION OF THE NEW REGIME, BUT THE GOVERNMENT HAS MANAGED TO SECURE AGREEMENT ON A SERIES OF DRAFT LAWS NOW BEFORE THE FEDERAL ASSEMBLY ON PRIVATISATION AND ON A SHORT-RANGE ECONOMIC STRATEGY, WHILE THE LEADERS OF ASSEMBLY DO NOT APPEAR PARTICULARLY FACTIOUS. THE CIVIC FORUM CONTINUES TO HAVE A GUIDING HAND ON THE GENERAL DIRECTION OF PD POLICY BUT MANY HAVE THE IMPRESSION OF A SLOW DRIFT TOWARDS A BREAK-UP INTO FACTIONS WHICH MAY PROVE TO BE THE BEGINNING OF INCIPIENT POLITICAL PARTIES. IN HIS SPEECH TO THE NEW FEDERAL ASSEMBLY IN JULY, PRESIDENT HAVEL PREDICTED THAT PARTIES OF THE FUTURE WOULD EMERGE FROM THE FORUM VPN BUT THIS STILL LOOKS SOME WAY OFF. THE NEXT ITEM ON THE POLITICAL ABENDA ARE LOCAL ELECTIONS, NOW PLANNED FOR NOVEMBER. THESE MAY ACT AS A TONIC FOR A SOCIETY WHICH BELIEVES, QUITE RIGHTLY, THAT THE APPARAT REMAINS SUBSTANTIALLY UNCHANGED AT THE DISTRICT LEVELLM

6. THERE IS NOW A VERY REAL PROBLEM OVER LAW AND ORDER. CZECHOSLOVAKIA IS EXPERIENCING A MAJOR CRIME-WAVE. EVERY DAY ONE HEARS OF MUGGINGS AND BURGLARIES AFFECTING THOSE WITHIN OUR OWN CIRCLE OF ACQUAINTANCES AND THE POLICE ADMIT TO A 40% INCREASE IN SERIOUS CRIME THIS YEAR. THE GYPSIES, ALLOWED BACK INTO THE CITIES AFTER SO MANY YEARS, ARE OFTEN BLAMED AND THERE HAVE BEEN UGLY INCIDENTS IN WHICH THEY HAVE BEEN ATTACKED IN THE STREETS: BUT OTHER FACTORS MUST INCLUDE THE LEADERLESS POLICE, NOW THAT THE LINES OF COMMAND NO LONGER RUN THROUGH THE STB (DEFUNCT) AND THE PRESIDENTIAL AMNESTY LAST JANUARY WHICH RELEASED SO MANY HOMELESS AND JOBLESS MEN BACK ON THE STREETS. PUBLIC PERCEPTIONS OF THE LEADERSHIP HAS BEEN AFFECTED BY THE LAW AND ORDER ISSUE AND VIGOROUS ACTION IS NECESSARY IF THIS IS NOT TO DAMAGE THE GOVERNMENT'S STANDING SERIOUSLY. WE HAVE OFFERED TO HELP WITH POLICE TRAINING AND ADVICE BUT MATTERS HAVE NOT MUCH ADVANCED RECENTLY. THE PRIME MINISTER MIGHT SUCCEED IN PERSUADING HER HOSTS TO PUT SOME URGENCY BEHIND THIS PROPOSAL.

7. THERE ARE SOLID GROUNDS FOR APPREHENSION OVER THE STATE OF THE ECONOMY. HERE, AS EVERYONE KNOWS, THE CRUNCH HAS STILL NOT COME AND NOBODY CAN GUESS HOW PAINFUL IT WILL BE WHEN ITS DOES. SOME FEAR FOR THE IMPACT ON THE NEW AND RELATIVELY CENTRAL DEMOCRATIC INSTITUTIONS BUT IT IS HARD TO SEE ANY RETURN TO THE TOTALITAIRIAN PAST. THE NEW LEADERSHIP HAS HAD GREAT DIFFICULTIES IN RECONCILING THE VIEWS OF THOSE WHO WAN TO GO FASTER AND THOSE WHO WANT A GENTLER PACE: AND INDEED TO PRODUCE A CONSENSUS ON THE SHORT TERM STRATEGY THERE HAD TO BE AN AGREEMENT TO DISAGREE ON WHAT EXCHANGE RATE IS TO OPERATE FROM THE END OF THE YEAR . (THERE ARE FURTHERMORE DOUBTS WHETHER THE FULL RATIONALISATION OF PRICES WILL IN FACT BE ACCOMPLISHED BY JANUARY AS PROMISED.) BUT EVEN IF THERE WERE GOVERNMENTAL HARMONY ON THESE ISSUES IT IS DOUBTFUL IF THIS COULD SOOTHE PUBLIC ANXIETIES OVER UNEMPLOYMENT, THE COLLAPSE OF THE ASSURED MARKETS IN THE CMEA COUNTRIES, PARTICULARLY THE GDR, AND NOW THE SHORTFALL IN OIL SUPPLIES FROM THE SOVIET UNION WHICH THREATENS DISRUPTIONS OF INDUSTRY AND TRANSPORT. (ON THE LAST POINT, THE FRUSTRATION OF THE AGREEMENT WITH IRAQ MUST HAVE BEEN PARTICULARLY DISHEARTENING).

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PRIME MINISTER

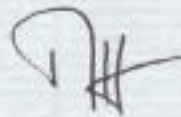
10th September 1990

THE SWISS WELFARE STATE

You may recall that at lunch at Chequers on Sunday 2nd September Keith Joseph and I were talking about - and disagreeing about - the Swiss welfare state on the basis of this book, which I think you may not have read. You might like to glance at it for your visit to Switzerland. (David Marsland, as you may know, is a staunch supporter).

Some of the 'lessons' drawn for Britain may be a bit far-fetched (pp. 109-134). But what I find most interesting is the section on Swiss social policy (pp. 65-108) - in particular, pp. 65-77. This argues that in the Swiss system (a) social problems are sorted out at the lowest possible level; (b) welfare is not automatic but depends on a close individual investigation of why someone is poor, unemployed etc as a means of sorting out what has gone wrong; and (c) stigma is a real discipline. Whether the picture is idealised I do not know: but it is certainly suggestive of what lies behind our social problems in Britain.

Could I have the book back, please.



ROBIN HARRIS

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*File to
of Foreign
Switzerland
be. PC*

10 DOWNING STREET
LONDON SW1A 2AA

From the Private Secretary

20 August 1990

PRIME MINISTER'S VISIT TO SWITZERLAND: AGENDA FOR TALKS

Thank you for your letter of 17 August setting out the proposed agenda for the Prime Minister's talks with the Swiss Federal Council on 20 September. It strikes me as improbably long for the time available, and tending towards the turgid. The Prime Minister herself put three question-marks beside item (v) "Bretton Woods initiative". Does this refer to Switzerland's joining the IMF/IBRD? It seems to me the sensible thing is to be topical and start with events in the Gulf: go on to deal with general EC and EC/EFTA matters: look at East-West relations: and touch on South Africa if there is time.

I think the Prime Minister would find it helpful to have some briefing on any new products or processes which are being developed at Ciba-Geigy.

C.D. POWELL

Simon Gass, Esq.,
Foreign and Commonwealth Office.

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MR. POWELL (on return)

PRIME MINISTER'S VISIT TO CZECHOSLOVAKIA AND HUNGARY:
16-20 SEPTEMBER 1990

I attach an outline programme for the Prime Minister's visit to Czechoslovakia and Hungary next month.

Czechoslovakia

The Embassy was not able to make any convincing suggestions on a suitable visit to a British company operating in Prague, nor on a suitable Know-How Fund project. They are still keen on a short (10-15 minute) visit to the Tax Reform Seminar, arguing that the Czech Finance Minister would be good value. They are likely to revert on this: we have additionally asked that they have a further look at something short for a British company input into the programme. We discounted the proposed British Council visit as it was to a rather run-down building the Embassy hope the Czechs will provide for the Council's use. Therefore, as things stand the Tuesday morning is light, aside from the Prime Minister's major speech to the National Assembly. We have, accordingly, taken the opportunity to advance departure for Bratislava with the aim of an earlier arrival in Hungary, where the extra time (30 minutes) can better be used.

We still have reservations, on security grounds, about the Prime Minister staying at the Residence. The reconstruction of the Embassy and Residence (both housed in the same building) has been going on for some 15 months. While the Residence work should be completed by the time of the Prime Minister's visit, this will by no means be true of the Embassy. Trevor Butler is following this up.

There are some good walkabout media opportunities in Prague. But the first, on Sunday evening (16 September) would achieve the best results, we believe, if not previously advertised.

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In Bratislava, the local authorities made it clear that a separate meeting with Mr. Carnoguiskey, leader of the Christian Democratic Movement, on top of an earlier opportunity for him to talk to the Prime Minister, would cause some difficulties. We have accordingly suggested two draft programmes, one with a short meeting with Carnoguiskey and one without. Our recommendation, supported by Post is not to include a meeting. But grateful for your guidance, please.

Hungary

We have not included a visit to the Herend factory. The Hungarians maintain they could not provide a helicopter, and the alternative (1½ hours by car each way) we considered too long a commitment in the Prime Minister's programme. We have asked the Hungarian authorities to arrange a display of Herend pottery in Budapest and, if possible, an opportunity to meet and talk to a selection of the workers and management interested in the privatisation of the factory. Is this acceptable, please? The Embassy strongly recommend against the Prime Minister meeting Mr. Poszgay - he is, they say, yesterday's man and a meeting with him would not be understood by the Hungarians. Mr. Nemeth is unavailable: he will be in London during Mrs. Thatcher's visit to Hungary.

Press

The major problem here is likely to be logistical: how to move the TV crews not travelling with the Prime Minister ahead of her over the Prague-Bratislava and Bratislava-Budapest legs of the visit, in time to cover her programme. I am talking to those concerned and have made some suggestions on how to get round the problems involved. I will follow this up.

The Czechs were very keen to hold a joint press conference (with Havel) in Prague, as well as one given by the Prime Minister in Bratislava. We have tentatively identified two short slots in the programme of 15-20 minutes each. Czech/Slovak rivalry appears to be behind this. Content to agree to this please?

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The Hungarians, too, have asked for a joint press conference of about 30 minutes. I have tentatively identified an opportunity for individual TV and radio interviews following the Press Conference.

Mr. Thatcher's programme

Czechoslovakia - it would seem best for Mr. Thatcher to visit the Brno International Trade Fair on Monday 17 September. Given the rather uncomfortable 2-hour drive each way, he would have to make a day of his visit there. But would you want Post to further investigate other possibilities? It would then seem best for him to sit in on the Prime Minister's speech to the National Assembly on the 18th and accompany her to Bratislava. If he attended the lunch there, he could then undertake a scenic boat trip, while she carries out her official programme that afternoon, before going on with the Prime Minister to Budapest.

Hungary - Post have recommended Ganz-Hunslett for a call during the official part of the Prime Minister's morning programme, combined with a very brief look at the Anglo/Hungarian Enterprise Centre, before joining her for lunch, followed by a short call on Price Waterhouse and a visit to the National Museum in the afternoon.

If you are broadly content with the above I will draw up a separate, more detailed programme for Mr. Thatcher.

Are you broadly content with the attached draft programme for the Prime Minister's visit, please?

Philip Ayllett

PP

PETER BEAN

18 August 1990

c:\recce (slh)

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- 4 -

DRAFT PROGRAMME FOR PRIME MINISTER'S VISIT TO CZECHOSLOVAKIA

Sunday 16 September

1430 Take off LHR
1730 Arrive Prague - Official arrival ceremonies (guard of honour and march past)
1800 Arrive Residence - short briefing
c1830 Depart for Old Market Square
1835-1850 Walkabout
1900 Return to Residence
1930 (for 2000) Dinner with non-official Czechs

Monday 17 September

0900 Look at Higgs and Hill refurbishment of Embassy and meet staff
0920 Depart for call on Mr. Dubcek
0930 Talks with Mr. Dubcek
1000 Depart for Jewish cemetery
1010 Tour cemetery and pay brief visit to museum
1020 Depart for call on Cardinal Tomasek
1030 Talks with Cardinal Tomasek
1045 Depart for Commonwealth War Graves cemetery
1100 Lay wreath and sign visitors book
1115 Return to Embassy
1130 Arrive Residence: change
1200 Depart for AA's house
1210 Attend reception
1230 Depart for castle
1240 Arrive: welcome ceremonies, etc.
1300 Lunch with President Havel
1430 Talks with President Havel
1600 Press conference (with Havel)
1625 Depart for talks with PM Calfa
1630 Talks with PM
1730 Depart for Residence
1740 Arrive Residence
1930 Formal dinner given by Ambassador

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- 5 -

Tuesday 17 September

0915 Depart Residence for Federal Assembly
0925 Arrive - speech and presentation of Magna Carta
1015 Depart for Wenceslas Square
1025 Arrive - walkabout
1040 Depart for airport
1055 Arrive airport
1100 Depart by air for Bratislava
1200 Arrive Bratislava: met by PM Mecir
Depart for Hotel Borik
1230 Lunch hosted by ?PM
1355 Depart for Bratislava Castle
1400 Meeting with Chairman of Slovak National Council
Frantisek Mikloseu (to include tour of Castle Chamber)
1500 Meeting with PM Mecir - Office of the Government
Either
1545 Press Conference
1600 Depart meeting at Borik Hotel
1605 Talks with Mr. Carnogursky
1620 Depart for airport
Or
1600 Press Conference
1620 Depart for Airport
1635 Arrive: farewell ceremonies
1645 Depart for Budapest
1730 Arrive Budapest

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- 6 -

DRAFT PROGRAMME FOR PRIME MINISTER'S VISIT TO HUNGARY

Tuesday 18 September

1730 Arrival at Ferihegy 1 Airport
Met by Protocol officials: embark cars and drive to
Kossuth Square

1750 Arrive Square: welcoming ceremonies

1800 Walk to Parliament Building accompanied by Prime
Minister Antall. Short bilateral meeting

1830 Depart for HMA's Residence

1840 Arrive Residence: change

1945 Depart Residence for Gundel Restaurant

2000 Official dinner hosted by PM Antall

c2200 Return to Residence

Wednesday 19 September

0815 Depart Residence for Wallenburg Memorial

0820 Arrive Memorial: lay bouquet, short discussions with
representatives of Jewish community

0830 Depart for Heroes Square

0845 Arrive Square: lay wreath

0850 Depart for Parliament Buildings

0900 Arrive: bilateral talks with PM Antall

1030 Tour Parliament Buildings en route to meeting with
President Goncz

1045 Talks with President Goncz

1120 Depart for Stock Exchange

1130 Look at operations at the Stock Exchange

1145 Discussions with private entrepreneurs over a light
lunch

1245 View Herend products and meeting with management and
workers

1315 Depart Herend display for British Embassy (to include a
short walkabout)

1330 Arrive Embassy: opportunity to freshen up before
meeting members of staff and their spouses in British
Council Library

1400 Depart for Budapest University of Economic Sciences

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- 7 -

1410 Arrive University: sign VIP visitors book and walk to meeting with students
1415 Round table discussion with students
1450 Depart for meeting with Alliance of Free Democrats
1500 Meeting with Alliance representatives
1545 Depart for Press Conference at ? Hotel
1615 Joint Press Conference with PM Antall (followed by one on one TV/radio interviews?)
1800 Arrive back at the Residence
1900 Attend HMA's Reception
c2015 HMA's supper for small group of guests
c2200 Supper ends

Thursday 20 September

0700 Depart Embassy for Ferihegy 1 Airport
0720 Farewells
0730 Depart by VC10 for Zurich

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(slh)

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Foreign and Commonwealth Office

London SW1A 2AH

17 August 1990

Cherles
Prime Minister
 Content with this
 proposed agenda?

Dominic Morris

DM
 17/v...

Prime Minister's visit to Switzerland: Agenda for talks

After discussion with the Swiss Federal Department of Foreign Affairs, the Embassy in Berne have suggested the following provisional agenda for the Prime Minister's official talks with the Federal Council on 20 September. The agenda seems sensible.

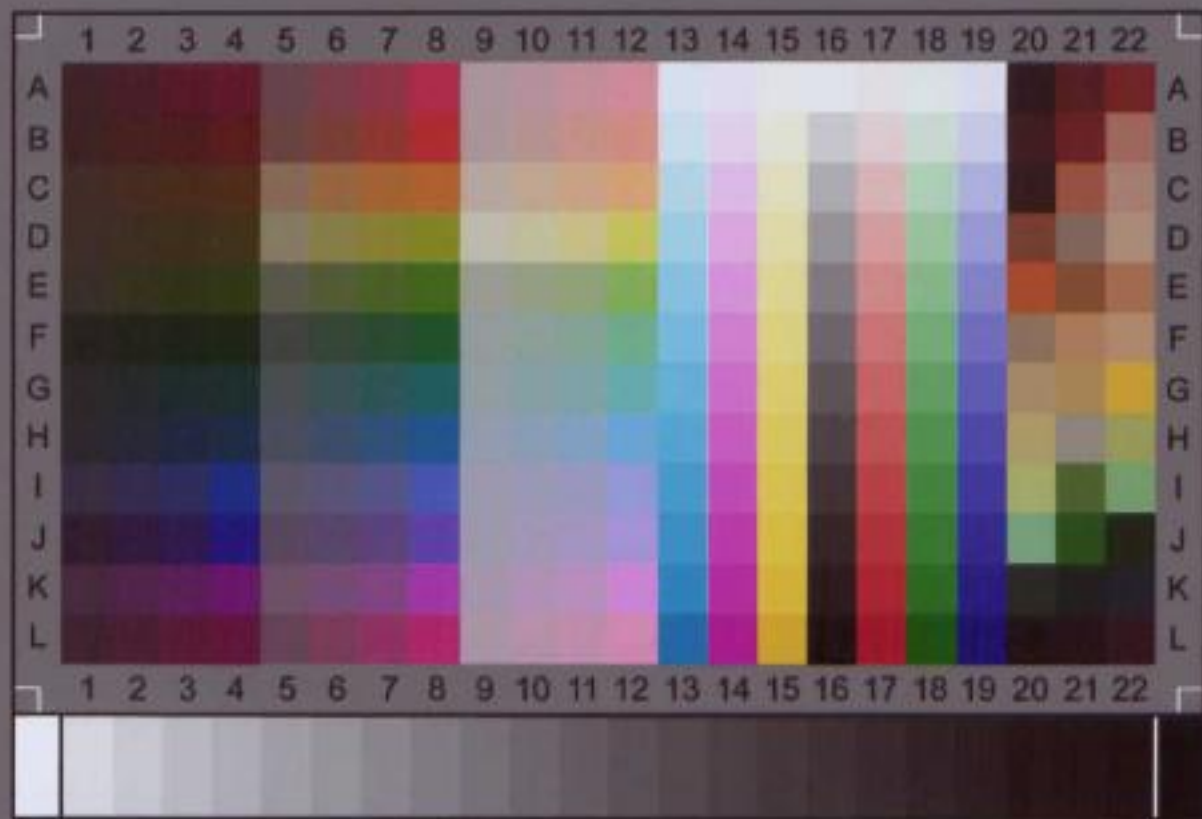
- i) European architecture (German unification, roles of CSCE, Council of Europe, NATO)
- ii) European integration, including EC/EFTA
- iii) Middle East
- iv) Southern Africa
- v) Bretton Woods initiative ??? *ms*
- vi) Drugs
- vii) Terrorism

I should be grateful for your comments. In addition, we shall provide economic, commercial and financial briefing for the Prime Minister's meeting with the Vorort.

The Embassy will provide background briefing on Ciba-Geigy, Zurich City and Canton and the Vorort, together with personality notes on those people the Prime Minister will meet. It would be helpful to know if the Prime Minister requires additional briefing on scientific issues for Ciba-Geigy and for the visit to the textile factory.

S. Gass
 (S. Gass)
 Private Secretary

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 10 Downing Street



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