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SAH AEG

10 DOWNING STREET

From the Private Secretary

30 October, 1984

Dear Colin

Meeting between the Prime Minister and Mr. Matyas Szuros
at 0930 on 30 October at 10 Downing Street

The Prime Minister received Mr. Matyas Szuros, Secretary of the Central Committee of the Hungarian Socialist Workers Party this morning. Mr. Szuros was accompanied by the Hungarian Ambassador. Mr. Unwin, H.M. Ambassador at Budapest, was also present.

Mr. Szuros said that he brought cordial greetings to the Prime Minister from Mr. Kadar and Mr. Lazar. Mr. Kadar recalled the Prime Minister's visit to Budapest with pleasure. He had expressed great concern about the bomb attack in Brighton. Such methods were utterly to be condemned. The Prime Minister said that she had vivid memories of her visit to Hungary and of the warmth of the Hungarian people. She had had a long meeting with Kadar in which both of them had spoken freely. She had also had useful talks with Lazar and Marjai, in which the latter had put forward his demands in his inimitable style.

The Prime Minister invited Mr. Szuros to tell her about progress with economic reform in Hungary. Mr. Szuros said that there were no pressing problems in the economy. Economic activity had picked up this year and industrial production had grown by 4 per cent in the first six months. This was unlikely to last for the whole year but overall growth should be more than 3 per cent. There had been an extremely good harvest with agricultural production sharply up. The Hungarian economy had a lot of ground to make up compared with Western European countries. As the Prime Minister would have noticed, there was general satisfaction in Hungary with living standards, though also an ambition for a better life.

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Mr. Szuros continued that he would like to raise the subject of bilateral relations between Britain and Hungary. The Prime Minister's visit had roused great interest about Britain in Hungary. Indeed, he would say that the visit had been of "historic significance". Political relations were now characterised by a good atmosphere. He hoped that political contacts could be developed further. He was particularly grateful for the invitation to him for what was his first visit to Britain and would like to thank H.M. Ambassador for all the efforts made to give him a good programme. He recalled the Chinese proverb: "it is better to see something once than hear about it a hundred times". He saw scope for development of trade relations and Hungary would welcome inward investment. In the cultural sphere, they were also looking forward to the visit to the Royal Ballet in April next year. Overall, Britain could count on Hungary as a correct partner, keen to develop dialogue and contacts. Hungary would follow its own well-defined line, and would not be thrown off course whatever elements or factors might appear. There was no alternative to peaceful dialogue.

The Prime Minister said that there was also a role for Britain and for Hungary in the wider East/West context. Hungary's relations with the Soviet Union and other East European countries were, of course, special: so were ours with the members of the Alliance. We were well aware that these relations had to be handled sensitively. She thought the present situation offered opportunities in East/West relations. In the wake of the United States presidential elections, there would be an opportunity for a fresh start. We were also at a crucial point in the spiral of technological development of new weapons. There was an opportunity to prevent the development of high technology weapons in space which would only divert resources badly needed for domestic purposes. It was important to get agreement to limit the development of such weapons. The generation in power in the Soviet Union had direct experience of the suffering of war and were therefore particularly anxious to avoid another one.

The Prime Minister continued that she saw possibilities for genuine negotiations. The difficulty was to convince the Soviet Union and some East European countries that the United States was sincere in wanting a lower level of armaments. She had been disappointed that Herr Honecker had been prevented from visiting the Federal Republic. This had put the Soviet Union in the worst possible light in the West. It was essential to develop a basis of confidence and trust. She had felt that such a basis had been created in her talks with Kadar and others in Hungary. Such confidential exchanges could play an important role in creating the conditions for a wider dialogue. The

relationship between Hungary and the European Community could also be important. She knew from her contacts with Chancellor Kohl and Signor Craxi that there was a will to help develop this relationship.

Mr. Szuros agreed that Britain and Hungary should continue to build their contacts. He hoped that these could be widened to embrace other East European states as well. If a network of contacts could be established among small and medium-sized countries in Europe, he believed that this could have a significant impact upon the superpowers. The superpowers tended to be preoccupied with each other. There was also an element of inertia in their relations stemming from their very size and power. It was particularly urgent to make progress in the disarmament field, notably on chemical weapons and in the nuclear arms talks in Vienna. He entirely agreed with the Prime Minister about the importance of establishing an atmosphere of confidence.

Mr. Szuros continued that Hungary detected some strengthening of support for reform in the Soviet Union. Experiments had started in the economy. He believed that, after the United States presidential elections, the Soviet leadership would be ready to take steps towards rapprochement. The postponement of Herr Honecker's visit should be seen as an exceptional case, stemming from certain unhelpful statements which had been made. Since it was a private talk he would say that Hungary did not always agree with each and every method used. But he was encouraged that the visit had only been postponed, not cancelled. There were forces - he implied in both East and West - who had reservations about too rapid a rapprochement between the two Germanies. There were historical and psychological reasons for these worries. Hungary had been more relaxed and believed that a mini-detente between the two Germanies could benefit Europe as a whole. But the first essential step was to get to a position of full equality between the two Germanys. This could not exist while the FRG claimed to speak on behalf of all Germans. There were natural fears of German reunification. This was an unrealistic ambition at present, though it could be thought about for the future.

The Prime Minister said that her generation was well aware of that difficulty. Evidence of growing German awareness had caused some stir in Western Europe. The problem had to be handled very carefully. She would like to repeat her conviction that it was very important for countries such as Britain and Hungary to keep in touch. Contacts once established could be useful in a crisis. Mr. Szuros agreed but emphasised that such contacts should not be directed against the superpowers. The Prime Minister agreed. We were devoted friends of the United States. But

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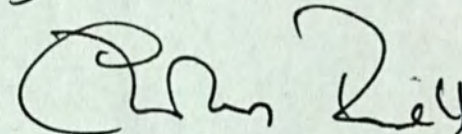
we owed them our judgement as well as our friendship. Friendship was not exclusive. She also agreed very particularly with what Mr. Szuros had said about the importance of negotiations to ban chemical weapons.

The Prime Minister concluded that she hoped that Mr. Lazar or even Mr. Kadar would one day come to Britain. They would be very welcome. Mr. Szuros said he would convey this thought to them. He thanked the Prime Minister warmly for finding the time to see him.

The meeting ended at 1015.

The Prime Minister was impressed by Mr. Szuros and glad to have seen him. She found him easy to talk to, sophisticated and reasonably forthcoming - but is under no illusions but that everything she said will end up in Moscow.

I am sending copies of this letter to Richard Mottram (Ministry of Defence) and to Richard Hatfield (Cabinet Office).

Yours sincerely


C. D. POWELL

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