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TELEGRAM NUMBER 48 OF 2 MARCH 85
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MY TELNO 46 : HUNGARIAN FOREIGN MINISTER'S VISIT TO LONDON.

SUMMARY

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

DETAIL

2. THE VARKONYI'S CAME TO DINNER ON 1 MARCH. AS AGREED IN BURCH'S LETTER OF 22 FEBRUARY, HE SPOKE SERIOUSLY ABOUT OUR HOPES FOR ANGLO-HUNGARIAN RELATIONS. HE STRESSED THE SERIOUSNESS OF OUR INTEREST IN CENTRAL AND EASTERN EUROPE. WE HOPED THAT WE COULD PUT MORE SUBSTANCE INTO OUR IMPROVING BILATERAL RELATIONS AND APPROACH A TOTALLY NORMAL RELATIONSHIP. VARKONYI SAID THAT HE AGREED BUT OFFERED NOTHING CONCRETE IN HIS REPLY.
3. TALKING PRIVATELY AFTERWARDS VARKONYI STRESSED HOW MUCH HE WELCOMED YOUR CURRENT CONTACTS WITH THE EAST EUROPEAN FOREIGN MINISTERS. BEFORE LONG YOU WOULD KNOW THEM BETTER THAN HE DID. HE HOPED YOU FOUND THEM REASONABLE PEOPLE TO DO BUSINESS WITH.
4. VARKONYI ASKED WHETHER THERE HAD BEEN A CHANGE IN THE PRIME MINISTER'S THINKING ON SDI SINCE GORBACHEV'S VISIT TO LONDON. IN PARTICULAR, WAS THE PROSPECT OF TECHNOLOGICAL TRANSFERS HER MAIN MOTIVE IN SUPPORTING SDI RESEARCH? HE SAID THERE WAS NO CHANGE. WE ATTACHED GREAT IMPORTANCE TO THE DISTINCTION BETWEEN RESEARCH, WHICH WAS VALUABLE IN ITSELF AND JUSTIFIED BY SOVIET DEVELOPMENTS, AND DEPLOYMENT. IT WAS A PITY THAT THE EASTERN SIDE TRIED TO BLUR THIS DISTINCTION.
5. VARKONYI SAID THAT NONETHELESS RESEARCH WAS PROFOUNDLY WORRYING. IT WOULD FURTHER COMPLICATE THE GENEVA TALKS AND PROVIDE A READY EXCUSE FOR ANY AMERICAN HAWKS WHO WANTED TO DELAY PROGRESS INDEFINITELY. AND THERE COULD BE NO PROGRESS ON THE INTERMEDIATE AND STRATEGIC TALKS WITHOUT PROGRESS ON SPACE. I THOUGHT VARKONYI'S LAME A MIXTURE OF WEDGE DRIVING AND GENUINE

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

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

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

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

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

10. SEE MIFT, NOT TO ALL.

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

FCO PLEASE PASS TO SAVING ADDRESSEES.
UNWIN