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Balancing between the COMECON and the EEC: Hungarian elite debates on European integration during the long 1970s

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ABSTRACT

This article intends to uncover the internal disputes about foreign and trade policy between the late 1960s and the mid-1980s, and to highlight the Hungarian motives in both Council for Mutual Economic Assistance (COMECON) internal discussions and Hungary's talks with the European Economic Community (EEC). The issue of concluding an agreement with the EEC became a home-front battlefield between the 'hawks' and 'doves' of the political leadership at the turn of the 1970s. The article argues that from the early 1980s, the genuine initiator of a foreign trade policy shift was the reform wing of the party, while the foreign trade apparatus remained firm on its standpoint of non-recognition.

KEYWORDS

Hungary; European Economic Community; inter-bloc negotiations

Introduction

In the first years following the creation of the European Economic Community (EEC), the Hungarian leadership adopted the same negative Soviet stance on the Common Market as other Socialist states. Since the mid-1960s, Hungary faced deepening Western European integration and evolving EEC protectionism, which led Budapest to attempt to manage rapprochement with Brussels. Hungary moved through two different channels: the Council for Mutual Economic Assistance (COMECON), hoping to unify the efforts of Socialist countries to conclude a general agreement with Brussels; and the General Agreement on Tariffs and Trade (GATT), trusting that the organisation would be able to persuade the European Community to abolish its protectionist measures. Both paths proved to be a dead end: by the turn of the 1970s, COMECON-EEC negotiations manifestly reached stalemate, and GATT membership did not gain Hungary better access to the Common Market. Since 1980, amidst worsening financial circumstances, the Hungarians were forced to show their true colours: if they wished for better export conditions into the Western markets, then the Hungarian government would be compelled to initiate bilateral talks with Brussels. However, a sharpening dispute emerged between the Hungarian party and state elites on which steps to follow: whether Budapest should cross the Rubicon and grant the EEC diplomatic recognition, or bet that Brussels might offer an agreement as a 'reward' for its renewed economic reforms. Hungary entered direct negotiations with the Community in 1983; talks proceeded in three rounds in 1983–4, but adjourned without any concrete result.

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The discussions on COMECON's policy towards the EEC are revealed by Suvi Kansikas in her ground-breaking book, *Socialist Countries Face the European Community*.¹ In a recent book chapter, Gábor Szilágyi scrutinises the Hungarian Communists' approach to European integration.² The title of his contribution itself, 'From Ignorance to a (Delayed) Strategy', suggests that the leadership of the Hungarian Socialist Workers' Party (HSWP) trailed significantly behind actual events. Szilágyi paints a picture of a passive party apparatus, where any change was initiated mainly by the state bureaucracy. This study challenges his interpretation at one crucial point: this article will argue that from the early 1980s, the genuine initiator of a foreign trade policy shift was the reform wing of the party, while the foreign trade apparatus remained firm on its standpoint of non-recognition. This article intends to uncover the internal dynamics and disputes about foreign and trade policy between the late 1960s and the mid-1980s, and thus to highlight Hungarian motives in both COMECON's internal discussions and Hungary's talks with the EEC.

This article endorses the long 1970s concept and identifies the years 1969–1985 as a crucial period when a new kind of East-West relations emerged and consolidated in Europe, the socialist bloc attempted to integrate more intensively into the world economy, and therefore the Eastern countries could not avoid developing their relations with the EEC.³ The Hungarian case supports the 'long 1970s' concept: since 1968 the New Economic Mechanism promoted the opening towards the West, and the attempts at talks with Brussels went well into the mid-1980s.

The paper is structured as follows: the first section reveals the gradual formalisation of a more independent Hungarian interest in trade policy towards the EEC in the 1960s. The second presents the diplomatic and trade policy manoeuvres of Budapest to find allies inside the COMECON and to guarantee barrier-free trade with the Community with accession to the GATT. The third and fourth section examines the non-public discourse regarding Hungary-EEC relations, as well as the changes of attitudes, interpretations, and visions inside the governing and party elite between 1980 and 1984.

Challenging the socialist non-recognition policy

The Kádár government faced harsh international isolation after its repression of the 1956 revolution, and Hungarian foreign policy had to rebuild its relations with the West from the ground up. The first, cautious attempts by Hungarian diplomats to change the situation date back to August 1962, when Foreign Minister János Péter explained the principal goals of a new Hungarian foreign policy: building new links with the Western countries on the foundations for peaceful coexistence; working in the interests of the

¹Suvi Kansikas, *Socialist Countries Face the European Community. Soviet-bloc Controversies over East-West Trade* (New York: Peter Lang, 2014).

²Gábor Szilágyi, 'From Ignorance to a (Delayed) Strategy: Hungarian Communists and European Integration, 1957–1989,' in *Kommunismus und Europa: Europapolitik und -vorstellungen europäischer kommunistischer Parteien im Kalten Krieg*, ed. Francesco Di Palma and Wolfgang Mueller (Paderborn: Schöningh, 2016), 84–103.

³The research leading to this article is part of my contribution to a group project entitled 'Looking West: The European Socialist Regimes Facing Pan-European Cooperation and the European Community'; see details: <https://paneur1970s.eu.eu/> (accessed November 22, 2018). On the 'long 1970s' concept see also: Poul Villaume, Rasmus Mariager, and Helle Porsdam, 'Introduction: The "Long 1970s". New Perspectives on an Epoch-Making Decade,' in *The 'Long 1970s': Human Rights, East-West Détente and Transnational Relations*, ed. Poul Villaume, Rasmus Mariager, and Helle Porsdam (Abingdon: Routledge, 2016), 1–11.

worldwide victory of Socialism; weakening the Western European integration efforts; repositioning Hungary among the Socialist countries; and establishing Hungary's reputation in the international arena.⁴ In practice, it was difficult to realise these goals since the political message of these principles did little to break from the hard-line Soviet standpoint. Nevertheless, after the April 1963 political amnesty (when 4000 political convicts were freed from prisons) a circumspect and slow thaw was observable. Budapest initiated the opening process with its Western neighbour. In May 1964, vice-president of the Hungarian Executive Council Jenő Fock pointed out during his talks with Austrian Vice Chancellor Bruno Pittermann that Hungary intended to improve her relations with the West beginning with Austria.⁵

This intention also blossomed in a new approach towards the Common Market. In August 1965, the Hungarian Ministry of Foreign Trade suggested a partial re-evaluation of Budapest's EEC policy. In its report, the Ministry analysed the EEC's weight in COMECON member states' trade: on average it was 8% of their total foreign trade, but had a 28% share in their trade with market economies. Hungary depended more on this relationship: Common Market states represented 39% of its non-socialist trade. The list of disadvantages caused by the EEC started with the customs tariff discriminations and followed with agricultural issues. The protectionist measures of the Community caused a US\$3.3 million loss in Hungarian agricultural exports in a single year (1964), and the ministry estimated that the Western customs union might result in a US\$8 million loss per year for Hungary after 1968. Brussels' contingent policy and its evolving common trade policy were also against Hungarian commercial interests. To minimise the country's losses, the Ministry of Foreign Trade outlined new tasks. It held that diplomatic *recognition or non-recognition* of the Common Market itself could not be a substitute for a properly elaborated and coordinated package of economic measures towards the EEC. It did not suggest recognition; instead it urged coordinated negotiations and measures to create a new situation in which Hungary would gain advantages (rewards) *in exchange for recognition*. It proposed the elaboration of a new approach to negotiations with the Common Market that would include reaching a consensus on a concerted policy towards the EEC with other COMECON member states. However, the ministry also argued that Hungary should concurrently build its own discrete ties with the Common Market, namely with the Commission, and particularly its Directorate-General for External Relations and the Directorate-General for Agriculture. The ministry hoped for a modified political line, which would boost concrete economic profit without abandoning the conceptual integrity of COMECON's non-recognition policy.⁶ Although this proposal did not result in concrete foreign political actions, it presented the changing visions within the state apparatus. The top party leadership remained more cautious. In October 1966 the HSWP Political Committee (PC) requested new policy papers with different variants on how to launch talks with the EEC, and called

⁴Zoltán Garadnai, 'A magyar-francia kapcsolatok története De Gaulle tábornok elnöksége alatt, 1958–1969' [The history of Hungarian–French relations during the presidency of the General De Gaulle, 1958–1969], *Külügyi Szemle* 10, no. 4 (2011): 158–9.

⁵Maximilian Graf et al., 'A Masterpiece of European Détente? Austrian–Hungarian Relations from 1964 until the Peaceful End of the Cold War,' *Zeitgeschichte* 41, no. 5 (2014): 314.

⁶Our links with the Common Market, 9 August 1965, XIX-A-90-c 165. doboz [box] (d.), Hungarian National Archive (MNL OL), Budapest. All cited materials from Hungarian archives are originally in Hungarian; all titles and texts have been translated by the author.

upon the Ministry of Foreign Trade and the Ministry of Foreign Affairs to represent effectively Hungarian interests in tariff and discrimination issues abroad.⁷

After the launch of the New Economic Mechanism, the Ministry of Foreign Trade went a step further. In April 1968, Deputy Minister Béla Szalai submitted a report to the Ministerial Board that presented fresh ideas and evaluations. The report's point of departure was again the agricultural issue, since agrarian and food products had an average 60% share of Hungary's exports to the Common Market (Table 1). Before 1968, the export of agricultural goods (especially eggs, poultry, pigs, and pork) expanded dynamically, and the EEC regulations on beef cattle had crucial importance, since this product per se amounted to 35% of agricultural exports.

The ministry warned that Hungary would soon face new challenges due to the EEC's decision to abolish its internal customs tariffs by 1 July 1968; nearly half of Hungary's Western trade involved EEC countries, which was 13% of its trade total. In addition, West Germany and Italy were the primary suppliers of Hungary's modern technologies. Negotiating with the Common Market in the light of these changing circumstances was therefore essential for Budapest. The ministry called the COMECON position an *outdated perspective*, claiming that COMECON member states should consider *official diplomatic recognition* of the Common Market. Szalai listed the expected advantages, adding that official recognition might create a better atmosphere for informal talks and a positive climate for concluding a mutually profitable commercial agreement. He argued that further development of the EEC would eventually force official recognition, and that the Socialist countries could profit from granting earlier recognition without external pressure or out of manifest necessity. In his conclusions, he called on the government to reconsider its non-recognition policy at the forthcoming COMECON meetings. Nevertheless, leading up to these multilateral meetings Szalai suggested the immediate continuation of informal Hungary-EEC bilateral talks to hash out technical questions.⁸

A finalised version of this proposal was circulated and commented on by the top leadership. Prime Minister Jenő Fock made his point clear in his remarks: Hungary should access the GATT, and not oppose openly the 'political recognition' of the EEC

Table 1. Pattern of Hungarian trade for 1965–7, by commodity categories, in percent.

	Imports from the EEC member states											
	Machinery, equipment			Raw materials			Light industrial goods			Agricultural goods		
	1965	1966	1967	1965	1966	1967	1965	1966	1967	1965	1966	1967
Federal Republic of Germany	45.2	39.4	45.7	45.2	50.5	49.0	1.0	1.7	1.9	8.6	8.4	3.4
Italy	14.8	19.7	22.3	76.3	68.9	62.9	0.3	4.2	5.8	8.6	7.2	9.0
France	12.6	18.8	21.5	43.7	36.0	46.0	1.7	4.3	3.1	42.0	40.9	29.4
Benelux countries	14.1	17.2	14.1	75.4	74.1	77.1	0.3	0.3	1.1	10.7	8.4	7.7
	Exports to the EEC member states											
Federal Republic of Germany	4.8	7.0	7.4	26.5	28.8	31.4	5.5	7.4	7.0	63.2	56.8	53.4
Italy	1.8	1.8	1.4	27.5	23.5	18.9	3.7	2.7	2.3	67.0	72.0	77.4
France	5.1	3.0	6.0	11.5	11.0	19.3	9.2	10.1	12.6	74.2	75.9	61.8
Benelux countries	14.9	12.2	11.0	37.5	37.2	31.2	31.4	32.6	24.8	16.2	18.0	33.0

Source: Proposal to the Ministerial Board. Our links with the Common Market. 26 April 1968. XIX-A-90-c 165. d., MNL OL.

⁷Minutes of the 18 October 1966 HSWP PC meeting, M-KS 288. f. 5/407. ő. e. 28, MNL OL.

⁸Proposal to the Ministerial Board. Our links with the Common Market, 26 April 1968, XIX-A-90-c 165. d., MNL OL.

(because that would be ill-timed), but continuing technical negotiations would be desirable. Moreover, Budapest should make more efforts to conclude multi-annual agreements with EEC member states on joint ventures, technical cooperation, and so on. At the same time, when the prime minister's remarks were finalised, the secretariat of Vice Prime Minister Antal Apró also agreed on the key points. Their note claimed that the former arguments against the EEC (that it is an economic arm of the North Atlantic Treaty Organization (NATO), a tool of West German revanchism, a supranational power which would fall apart soon) had been proved wrong; these events did not occur, and instead the European situation changed. The Apró secretariat agreed with Fock's comments that it would be too early to grant 'political recognition' to the EEC, but COMECON should reconsider its viewpoint soon; in the meantime, Hungary might gain more advantage through accession to the GATT as an associate member.⁹ On 10 May 1968, the Committee for International Economic Relations (NGKB) debated the April proposal on the Common Market.¹⁰ The NGKB passed a resolution requiring Hungary to initiate, within COMECON, a re-evaluation and better coordination regarding COMECON-EEC relations.¹¹

Budapest's new political line led to unfolding rapprochement in Hungary-EEC relations in the years that followed: three technical agreements that ensured price guarantees in the agricultural sectors of pork, wine, and cheese were signed in June 1968, November 1970, and February 1971 respectively. This benefited the Hungarian agrarian sector and, due to the expansion of Hungarian exports to the Common Market, the overall trade deficit decreased. By 1970, the European Community represented 16.7% of total Hungarian imports and 17% of the country's total exports. However, Hungary's share in the Common Market's external trade was rather symbolic: 0.6% of EC exports were sold to Hungarian markets, with 0.7% of total imports purchased from Hungary in 1970.¹²

The deepening integration of the Common Market (e.g. plans for monetary integration and other common policies), the planned enlargement of the Community, and the Council of Ministers' decision to implement a Common Commercial Policy on trade agreements with socialist countries (giving competence to sign trade agreements only to the EEC from 1974) generated new challenges for the Hungarian state apparatus. In December 1970, the Inter-State Department of European Non-Socialist Countries of the Ministry of Foreign Trade summarised the new tasks of Hungarian policy towards the EEC. The report analysed EEC regulations concerning the most important Hungarian export products (beef, cheese, wine, and so on) in detail, as well as relations among other COMECON members and the Common Market. Although it made clear that the EEC's Common Commercial Policy was not implemented *completely*, the department proposed – and the Ministerial Advisory Board accepted – the following guidelines: Hungary should conclude agreements on certain products; initiate negotiations with

⁹Notes to the proposal on the Common Market, 10 May 1968, XIX-A-2-gg 249. d., OL MNL.

¹⁰The Committee for International Economic Relations was an inter-ministerial government body dedicated to international economic relations.

¹¹Extract from the memo of the NGKB meeting on 10 May 1968, XIX-A-90-c 165. d. No. 20 022/1968, MNL OL; Resolution on our relations with the Common Market, 10 May 1968, XIX-A-90-a 83. d., MNL OL.

¹²Péter Balázs, 'Trade Relations between Hungary and the European Community,' in *The Political and Legal Framework of Trade Relations Between the European Community and Eastern Europe*, ed. Marc Maresceau (Dordrecht: Martinus Nijhoff Publishers, 1989), 55–7, 60–2.

EEC candidate countries; and attempt to sign long-term trade agreements with actual member states before 1974. Assuming that Western European integration would progress in the forthcoming years, the report considered it necessary to revise the COMECON approach, urging the strengthening and deepening of the ministry's analytic work concerning foreign trade enterprises as well as the Common Market.¹³

Detours: GATT accession and searching for supporting COMECON partners

The launch of the New Economic Mechanism in 1968 proceeded alongside the re-evaluation of Hungarian foreign affairs and international economic relations. This shift aimed to promote an opening towards the West and, at the same time, to provide a more reform friendly environment inside the Socialist bloc. The Hungarian reformists wished to manage both processes without provoking a confrontation with the Soviets, especially after the repression of the Prague Spring.

The trade ministry proposed seeking Hungary's entrance into the GATT with the purpose of getting access to the Common Market. Budapest had first applied for observer status in 1958, but the application was soon withdrawn due to the vehement political opposition of several GATT-contracting parties.¹⁴ In 1966, the Hungarian customs tariff and trade control regime was considered an inseparable part of the economic management system and liberalised.¹⁵ On 31 May 1966, the Committee for International Economic Relations gave the Ministry of Foreign Trade permission to submit Hungary's application for GATT observer status, which was conceived as a first step towards membership. After the implementation of the New Economic Mechanism, and only just a month later than the proposal concerning the EEC was discussed, on 10 June 1968, the Ministry of Foreign Trade suggested revising the internal customs tariff system to prepare for Hungarian accession to GATT. The proposal argued in support of full membership, which would result in further gains for Hungary since GATT, as a multilateral foreign trade coordination forum, played an increasingly significant role in discussing trade discrimination and barriers. The second most important argument for accession stated:

It would be an advantage [for Hungary], if – in the frames of the GATT – we could directly and in earnest negotiate with the Common Market without the diplomatic recognition of it.

This sentence reveals the true intentions behind the accession request – making a new deal with the EEC without openly breaking socialist unity. The ministry also pointed out that GATT membership would come with several obligations: for instance, the Hungarian trade regime could not contain any discriminatory clauses; Hungary should build direct ties with the International Monetary Fund (or conclude currency

¹³Proposal to the Ministerial Advisory Board, 7 December 1970, XIX-A-90-c 166. d. MNL OL. The EEC Council of Ministers decided that from 1 January 1975 negotiations on trade agreements between the member states and third countries be conducted on solely a Community basis.

¹⁴Maciej Kostecki, 'Hungary and GATT,' *Journal of World Trade Law* 8, no. 4 (1974): 402.

¹⁵See in detail Horváthy Balázs, 'Harmincöt év az Általános Vám- és Kereskedelmi Egyezményben: Magyarország kereskedelempolitikai mozgásterét meghatározó tényezők' [Thirty-five years in the General Agreement on Tariffs and Trade: Determining factors of the manoeuvring room in Hungary's trade policy], *Jog, Állam, Politika* 1, no. 2 (2009): 34–54.

agreements with each GATT contracting party); the country should also offer a mutual concession for each gained concession.¹⁶ On 21 June, the Committee for International Economic Relations supported the action plan and ordered the Ministry of Foreign Trade to elaborate a proposal on the improvement of the tariff system and draft a decree on GATT accession.¹⁷ One year later, on 9 July 1969, the Hungarian Government submitted its application for full membership to GATT in accordance with Article XXXIII of the General Agreement.¹⁸ Four years later, the Hungarian government signed the Protocol of Accession on 10 August 1973.¹⁹

The second detour was prepared inside the bloc: to create a solid and safe background to the Hungarian economic reform, Budapest elaborated and proposed far-reaching reforms to improve the COMECON. A proposal in May 1968 was meant to foster COMECON integration with improved financial conditions, monetise commercial relations between partner states, promote direct inter-firm links, and provide non-socialist countries with opportunities to join COMECON. However, during bilateral Hungarian-Soviet talks in June, Soviet representative Mikhail Lesechko expressed disagreement and claimed that the Hungarian proposal aimed at the liberalisation of Eastern cooperation and the formation of a 'common market'.²⁰

It soon became evident that Hungarian aspirations to find supporting partners inside COMECON were, at most, only partially fulfilled. In January 1969, the Executive Committee of COMECON passed a resolution on EEC relations, which declared that each COMECON member state could have 'links with the EEC organs to defend their economic interests', calling on member states to readily exchange information. Although the Hungarian Ministry of Foreign Trade later interpreted this declaration as advantageous (the Executive Committee *did not prohibit* building contacts with the EEC), the decision also clearly dictated that member states should abstain from granting diplomatic recognition to the EEC.²¹

Facing firm Soviet resistance to the adoption of a new line, Hungarian diplomacy attempted to avoid the issue of diplomatic recognition by proposing ways to make direct ties between the two main economic groups, i.e. COMECON and the EEC. In February 1972, for example, a Hungarian proposal offered the following options: a COMECON declaration that the Eastern side is ready to make contacts with the EEC; previous informative links between COMECON and the EEC on possible forms of contact; principle agreements on certain economic and trade policy issues; and treaties

¹⁶Proposal to the NGKB – Action plan for the further steps towards the GATT, 10 June 1968, XIX-A-90-c 165. d., MNL OL.

¹⁷No. 20 033/1968 resolution on the action plan for the further steps towards the GATT, 21 June 1968, XIX-A-90-a 83. d., MNL OL.

¹⁸Statement by Mr Janos Nyerges, Special Representative of the Hungarian government to the International Economic Organizations, at the [GATT] Council Meeting on 23 July 1969, CM2/1973–2015, Historical Archives of the European Union, Conseil des Communautés européennes, Florence.

¹⁹Horváthy, 'Balázs', 'Harmincöt év az Általános Vám- és Kereskedelmi Egyezményben,' 46.

²⁰György Földes, *Kádár János külpolitikája és nemzetközi tárgyalásai 1956–1988* [The foreign policy of János Kádár and his international negotiations] (Budapest: Napvilág, 2015), vol. 1, 90. The reform of the COMECON is analysed in detail from the Hungarian perspective by István Feitl, 'Hungarian Plans to Reform the Council for Mutual Economic Assistance, 1967–1970,' in *Influences, Pressures Pro and Con, and Opportunities: Studies on Political Interactions in and Involving Hungary in the Twentieth Century*, ed. Zoltán Ripp (Budapest: Napvilág Kiadó, 2014), 239–71.

²¹Proposal to the Ministerial Advisory Board: Our links with the organs of the Common Market and the further tasks, 7 December 1970, XIX-A-90-c 166. d., MNL OL. COMECON Executive Committee held its 38th meeting in Moscow, on 23–27 January 1969.

or agreements on selected sectoral issues (coordination or mutual acknowledgement of quality specifications and standards, environmental protection, transport, energetics, energy sector).²² The Ministry of Foreign Affairs also agreed that expanding economic relations with the EEC would be crucial for Hungary, since Hungarian raw material exports offset the imports of high quality complex technologies, licences, and industrial equipment. However, in accordance with the official COMECON policy, the Economic Policy Group of the Foreign Ministry did not intend to build new ties with the supranational organ of the Common Market.²³

Hungary played a proactive role in several COMECON meetings during the first half of the 1970s to initiate changes in the policy towards the EEC, but these attempts generally failed due to counter activities by East Germany, the Soviet Union, and Czechoslovakia.²⁴ Budapest, a 'loyal ally' of the Soviet Union, paid close attention to developments in EEC-COMECON talks but, unlike Romania, the Hungarian leadership did not intend to adopt an independent policy.²⁵ Instead of openly announcing a special 'Hungarian path', Budapest promoted itself as a highly reformed Eastern country to improve its image during negotiations with the West.

The implementation of the EEC's common commercial policy starting on 1 January 1975 pressured the Eastern countries to shift from technical negotiations towards more substantive accords. In November 1974, the EEC Commission sent two different letters to each COMECON country. The first one informed Eastern countries that, starting from January 1975, the Common Market states would no longer negotiate and conclude (or renew) bilateral trade agreements. The second letter contained an EEC draft trade agreement: Brussels offered a schema-agreement to each country separately, and would sign the agreement with each single country.²⁶ At the 12–15 November 1975 meeting of COMECON's Standing Commission on Foreign Trade, Chair Nikolai Patolichev (USSR) warned all delegations that such an agreement should be negotiated between the two organisations.²⁷ Apart from the Soviet warning, the draft agreement did not satisfy Hungarian expectations. The EEC offer proposed concluding an agreement on issues that were regulated in the GATT protocols, and legalising the practice according to which EEC members did not discontinue discriminative quantitative restrictions; Brussels suggested the implementation of reciprocity in mutual turnover, which would include a Hungarian import obligation; and, finally, the proposal excluded discussions on the Common Agricultural Policy, despite the fact that Hungary's primary aim was to re-negotiate agrarian issues.²⁸

Although access to the Common Market was one of the most important foreign trade issues, the top party leadership did not pay particular attention to it. However, in 1975–6, during the preparation of a new foreign economy policy concept, it became

²²Hungarian concepts on the issues of building contacts between the COMECON and the EEC, 18 February 1972, XIX-A-90-c 166. d., MNL OL.

²³A note on Hungary and the Common Market, 26 June 1972, XIX-J-1-j 1972 132. d., MNL OL.

²⁴See Kansikas, *Socialist Countries Face the European Community*, 116–70.

²⁵The Romanian leadership declared explicitly from the early 1970s that Romania had its own right to make direct links with the EEC. See in detail Angela Romano, 'Untying Cold War Knots: The EEC and Eastern Europe in the Long 1970s,' *Cold War History* 14, no. 2 (2014): 164–5.

²⁶*Ibid.*, 163–4.

²⁷Kansikas, *Socialist Countries Face the European Community*, 181–2.

²⁸Proposal to the Economic Committee. Our economic and commercial policy towards the Common Market, the possibilities of their development, 7 June 1982, XIX-A-39-b 37. d. 2., MNL OL.

evident that Hungary should conduct a more active and open trade policy. This awareness led the compilers when they first intertwined the three main tasks of Hungarian economic policy: handling the aftermath of the oil crisis; adjustment of the economic structure; and opening towards the *non-COMECON world*.²⁹ This March 1977 concept highlights the standpoint of the Hungarian party: how they evaluated the risks of an opening; and how they calculated the potential gains and losses of an intensified Western cooperation. The document entitled ‘Guidelines for Long-term Foreign Economic Policy’ was proposed by the Economic Policy Department of the HSWP Central Committee (CC) and the inter-ministerial government body, the Committee for International Economic Relations. The concept underlined that the main trends of the worldwide economic changes were enlargement in economies of scale and the deepening of the international division of labour; national economies were becoming more interconnected. The easing of tensions in international relations – *détente* – was favourable to expanding East-West cooperation, therefore the proposal wished to intensify business links with the world economy more dynamically. It claimed clearly that the deepening of foreign economic relations presented a risk, but this was a ‘smaller [hazard] than the economic and political outcomes of the isolation’.³⁰

The guidelines proposed building international economic relations with the Socialist and non-Socialist states on a solid base. However, it ranked relations according to a political criterion: cooperation with the Soviet Union came first; that with the Socialist states followed closely; and cooperation with the capitalist states came last. Relations with the developed Western countries were presented as an important national interest and as an immanent part of a policy intended to foster peaceful cooperation between the two economic systems. The rapporteurs claimed that Hungary should urge negotiations between the COMECON and the EEC, while also aiming to improve the Hungarian trade policy position.³¹ The HSWP Political Committee accepted this document as a resolution in April 1977, and in the following year it became a guideline for the further state measures.

The unofficial dialogue between COMECON and the EEC continued with variable intensity during the years 1975–7, with counterproposals on each side. The two organisations had antagonistic interests and goals. COMECON wished to establish comprehensive relations including trade, while the EEC wanted cooperation to be limited to the fields of economic forecasting, commercial and economic statistics, environmental protection, and standardisation.³² The first *official* meeting between the two organisations’ representatives was held in Brussels on 21 September 1977, when Vice President of the European Commission Wilhelm Haferkamp and President of the COMECON Executive Committee Mihai Marinescu had an hour-long talk. On 29–30 May 1978, Vice President Haferkamp visited Moscow to negotiate with COMECON Secretary Nikolai Vasilevic Faddeev, but only modest progress was made in the inter-bloc dialogue.³³

²⁹On the preparation of the 1977 economic policy resolution see in detail Pál Germuska, ‘Failed Eastern Integration and a Partly Successful Opening up to the West: The Economic Re-orientation of Hungary during the 1970s,’ *European Review of History* 21, no. 2 (2014): 277–8.

³⁰Proposal to the HSWP PC – Guidelines for long-term foreign economic policy, March 1977, M-KS 288. f. 5/715. ő. e. 29–112, Citation: 37, MNL OL.

³¹*Ibid.*

³²Kansikas, *Socialist Countries Face the European Community*, 189–91.

³³COMECON–EEC relations II. [A report] July 1978, XIX-A-90-c 168. d., MNL OL.

Hungary desired tangible benefits from these negotiations, rather than empty promises and political declarations. Recognising the ineffectiveness of inter-bloc talks, Budapest focused on bilateral bargaining with Brussels. Thanks to this activity, Hungary negotiated and concluded three sectoral agreements with the EEC between 1978 and 1981: in the steelmaking industry, where Budapest accepted quantity and price limitations (May 1978); a four-year agreement for textile industries (November 1978); and a voluntary restraint agreement in the sheep and goat meat sector (in 1981), which widened access to the EEC foodstuffs market.³⁴

Hungary's access to the Common Market and interest in the inter-bloc dialogue also appeared among the topics of First Party Secretary János Kádár's bilateral meetings in those years. He presented the Hungarian desires and viewpoint to several interlocutors: in Rome in June 1977; in Bonn (to Helmut Schmidt) in July 1977; in Budapest (to Willy Brandt) in March 1978; and in September 1979 (again to Helmut Schmidt).³⁵ However, the party leadership did not proceed with substantive issues, and at most gave the political permission to launch technical negotiations with the European Commission. For example, in June 1978 the HSWP Political Committee authorised the preparation of the planned textile agreement.³⁶

New economic constraints – sharpening debates

The 1973 oil shock and radical increase in the price of raw materials hit the Hungarian economy hard. Although several government bodies (the Ministry of Finance, the National Planning Office, the National Office of Materials and Prices, and the Ministry of Foreign Trade) suggested immediate actions (raising internal prices, cut-backs in inefficient exports, lowering state subsidies, and so on), the political leadership intended to 'defend' its citizens from the world economy's shocks for as long as possible. Therefore, effective adjustment of internal prices and the economic policy turnaround unfolded only in 1978–9, when external indebtedness increased to a critical level. As the economic crisis loomed over the country, state apparatuses and the central bank expressed their criticism more harshly.

In September 1978, four months after the Haferkamp–Faddeev meeting, a new proposal was submitted to the Committee for International Economic Relations on the continuation of the COMECON-EEC talks. The Foreign Currency Department of the Hungarian National Bank (MNB) in its comments to the proposal remarked that the COMECON, due to its organisational structure and unresolved internal problems, was not capable of managing the inter-bloc talks. Therefore, argued the central bank, dialogue should be continued, but it was worth formulating the Hungarian standpoint to initiate bilateral negotiations with the Common Market. The Foreign Currency Department also warned that Hungary itself had to take the first step to avoid sizeable losses in trade, and that the internal and external financial balance of the country did not permit any postponement in launching talks with the Community. The MNB

³⁴Balázs, 'Trade Relations between Hungary and the European Community,' 64–5.

³⁵See Földes, *Kádár János külpolitikája és nemzetközi tárgyalásai 1956–1988*, vol. 1, 215, 218, 236, 276.

³⁶Minutes of the 13 June 1978 HSWP PC meeting, M-KS 288. f. 5/748. ó. e. 11, MNL OL.

requested that the agenda of the NGKB should include the issue of bilateral talks during the following six months.³⁷

In July 1979 the same department, while analysing another proposal of the Ministry of Foreign Trade, pointed out the lack of concrete suggestions on how to handle the ineffectiveness of the COMECON-EEC negotiations, and called for a clear declaration that in the absence of a common (COMECON) solution, Hungary should negotiate with the Common Market.³⁸ The MNB saw the ‘unresolved’ relationship with the EEC as a serious obstacle that hindered Hungarian exports, and had an indirect negative affect (through the foreign trade balance) on the entire financial balance. Although publicly the central bank was rather passive concerning the issues of foreign trade policy, behind the scenes the MNB was the genuine engine of the economic policy turnaround.³⁹

Hungarian trade with the EEC expanded unbroken during the period under investigation, even though it resulted in an increasing trade deficit (see [Table A1](#) and [Table A2](#) in the Appendix). The Community was the most important commercial partner from the developed world, since it represented 50–55% of Hungarian exports to the developed market economies and 55–58% of its imports from that country group. [Table A3](#) and [Table A4](#) report the asymmetry of this trade relationship. Chemical products, manufactured goods, machinery, and transport equipment constituted three-quarters of Hungarian imports from the EEC: these goods were indispensable for upgrading the economy with state-of-the-art technologies. However, at least one-quarter of Hungarian exports to the Common Market still consisted of foodstuffs and live animals in the first half of the 1980s. Although this proportion nearly halved between 1970 and 1980 (not independently of Brussels’ protectionist measures), agricultural exports constantly remained at the forefront of Budapest’s commercial interests. The farming sector in particular was a net exporting branch of the Hungarian economy; consequently, it contributed a notable surplus to the national foreign trade balance. The hunger for up-to-date technologies, the export constraints, and the desire to maintain the internal political stability of the country pushed Hungarian decision-makers to intensify cooperation with the West and find a new *modus vivendi* with the EEC. Moreover, the COMECON-EEC negotiations reached a stalemate by October 1980, when the last expert-level meeting was held, and there was no hope of reviving them in the short-term. The Hungarian leadership was disappointed, and attempted to find a narrow path to avoid confrontation with the Soviets, while at the same time trying to improve its relations with core Western European countries.

The reformist, younger generation within the party elite desired a shift from the outdated standpoint. In March 1981, the Department for Economic Policy of the HSWP CC drew up a top-secret report on relations with the Common Market. In their memo, addressed to Ferenc Havasi, the economic secretary of the CC, they proposed concluding an all-embracing agreement with the Community to arrange economic and

³⁷Remarks to the Committee for International Economic Relations on the Foreign Trade Ministry’s proposal, 2 September 1978, XXIX-L-1-e 492. d., MNL OL.

³⁸Our remarks to the no. 4–0013/46/1979 Foreign Trade Ministry proposal, 2 July 1979, XXIX-L-1-e 531. d., MNL OL.

³⁹The national bank rang the ‘fire alarm’ at the turn of 1977–8, as Hungarian indebtedness approached a nearly unmanageable level. This threat alone forced a radical change in economic policy. See Attila Mong, *Kádár hitele. A magyar államadósság története 1956–1990* [Kádár’s credit. The story of the Hungarian national debt, 1956–1990] (Budapest: Libri, 2012), 161–5.

commercial issues simultaneously. The document stressed that such an agreement could improve the Hungarian economic position or minimally hinder losing markets in the EEC. The department assumed that Budapest might negotiate better conditions with Brussels like Romania, or at best as good as Yugoslavia. The rapporteurs underlined that the Romanian and Yugoslavian cases clearly demonstrated that an economic-commercial agreement with the EEC did not cause ‘political storms’.⁴⁰ If one can trust the memoirs of István Horváth (the subsequent Hungarian ambassador in Bonn), Havasi embraced the idea and consulted on this initiative with János Kádár, who informed the Soviet leadership during his summer holiday in Crimea.⁴¹

In September 1981 Gyula Horn, deputy leader of the Department for Foreign Affairs in the HSWP CC, had a meeting in Budapest with Eugen Selbmann, the cabinet leader of West German Chancellor Helmut Schmidt. Two officials from the Department for Economic Policy, István Horváth and Béla Szikszay, then visited Bonn to initiate secret talks with the West German Sozialdemokratische Partei Deutschlands (SPD) and to sound them out about the EEC’s intentions towards Hungary.⁴² Following these preparatory talks, in November 1981, Havasi had the chance to express the HSWP’s approach as aimed at developing equally bilateral (Budapest-Brussels) and COMECON-EEC relations.⁴³ In his memoirs Havasi affirms that Schmidt promised discrete support to manage negotiations on a Budapest-Brussels cooperation agreement.⁴⁴

Despite the promising start, a month later Budapest received an unexpected warning from the SPD, when Selbmann, Schmidt’s foreign policy adviser, brought (along) the letter of/from the Chancellor. Selbmann personally handed the letter to the Hungarian leadership. In his letter of 18 December addressed to Kádár, Schmidt claimed that the political risks of Hungary’s stronger attachment to the European Community were so evident that he simply needed to list them. As the Chancellor argued, since Hungary was an important member and partner in the COMECON, any attempt to establish closer links with the EEC would have far-reaching implications and thus would have become a matter of high political importance. He expressed his considerable doubts that the EEC could present an attractive economic offer for Hungary. In his conclusion, Schmidt stressed:

All in all, the present economic crisis within all EC Member States as well as in the world economy as a whole, including in the Eastern bloc, does not currently lend itself to hope for a mutually beneficial economic connection between the European Communities and Hungary. In the long term, a link between the European Communities and Hungary could certainly be very beneficial for both sides, but the Hungarian leadership would have to assess whether these later potential benefits could outweigh the immediate political risks.⁴⁵

⁴⁰Memo to comrade Havasi. Our commercial policy with the EEC countries amidst the new world economy circumstances. March 1981. István Horváth and András Heltai, *A magyar–német játszma. Emlékezés és dokumentumok* [The Hungarian–German Game. Memory and documents] (Budapest: Corvina, 2015), 103–12. Yugoslavia signed the first agreement with the EEC in 1970, while Romania signed in July 1980.

⁴¹*Ibid.*, 20.

⁴²*Ibid.*, 22–3.

⁴³Földes, *Kádár János külpolitikája és nemzetközi tárgyalásai 1956–1988*, vol. 1, 339.

⁴⁴Gábor Koltay and Péter Bródy, *‘Érdemei elismerése mellett...’ Beszélgetések Havasi Ferencsel* [‘Be given honourable discharge...’ Talks with Ferenc Havasi] (Budapest: Szabad Tér Kiadó, 1989), 90.

⁴⁵Letter of Helmut Schmidt to János Kádár, 18 December 1981, M-KS 288. f. 47. cs. 765. ó. e. 203–214, Citation: 214, MNL OL. The letter is originally in German.

Commenting on the letter years later, Selbmann explained to István Horváth that Schmidt did not wish to risk any interference in their good relations with the Soviets, since German-German relations intertwined with the West German-Soviet relationship. However, this unpleasant *intermezzo* did not discourage the reformist group: two officials from the Department for Economic Affairs, again Horváth and Szikszay, had contacts in Paris with the inner circles of François Mitterrand. Then Gyula Horn also presented the new rapprochement idea in London to Prime Minister Margaret Thatcher. Horváth stresses that these attempts faced strong opposition in Budapest, especially by the old-fashioned Prime Minister György Lázár and his pro-Soviet deputy, József Marjai, while Foreign Trade Minister Péter Veress did not take sides.⁴⁶

Between Brussels and Moscow: attraction and repulsion

During the spring of 1982, the Ministry of Foreign Trade elaborated a new proposal on Hungary's relations with the EEC. The ministry pointed out that COMECON-EEC talks, even if they reached an agreement, would not be able to improve the commercial position of Hungary. Therefore, Budapest should continue its negotiations with Brussels and conclude agreement(s) that would adequately satisfy its economic interests. The report examined three main topics: tariffs; quantitative quotas; and the agricultural policy of the Common Market. Concerning tariffs, the ministry underlined that there was no chance of signing a free trade agreement under the current circumstances. To ask for a tariff preference, as a developing country, seemed inappropriate because Hungary enjoyed a more advanced economy than non-European countries. The report also stressed, with self-criticism, the low competitiveness of Hungarian suppliers, which was a greater hindrance to export expansion than Common Market customs tariffs. The quantitative quotas hindered increases in the turnover of goods, even as they did so differently in each EEC country. Brussels still suggested the 1974 schema-agreement as a general solution to regulate mutual trade, but Budapest did not wish to follow the Romanian pattern. (Bucharest signed a trade agreement on industrial products in 1980). The Hungarian Ministry of Foreign Trade rejected this option, suggesting instead fighting against the quotas within GATT. According to the report, agriculture was a crucial area of dispute because the sector absorbed the heaviest losses from EEC protectionism. For example, Hungary's quality cattle and beef exports to the Common Market dropped from US\$177 million to US\$16 million between 1973 and 1981. The Trade Ministry urged the Hungarian leadership to conclude a bilateral arrangement with the Community as soon as possible, particularly because if some agricultural products lost access to the EEC market due to competition obstacles, it would be difficult to redirect agricultural exports to other markets (even outside of Europe). For its part, Hungary could offset/reciprocate the Western market opening with increasing imports of foodstuffs from the Community. The concluding part of the report highlighted that establishing a delegation of diplomatic representatives to

⁴⁶István Horváth and István Németh, ... *és a falak leomlanak: Magyarország és a német egység, 1945–1990. Legenda és valóság* [... And the walls fall down: Hungary and German Unity, 1945–1990. Legend and reality] (Budapest: Magvető, 1999), 176–7. Marjai was the ambassador of Hungary in Moscow between 1976 and 1978.

Brussels on behalf of Hungary would be an important political gesture. The last sentence of the proposal pointed out:

If we intend to normalise entirely and develop relations towards the EEC, this step [the diplomatic recognition] can't be avoided sooner or later. Merely its timing could be questionable. Nevertheless, this is essentially a political issue and it requires a specific investigation.⁴⁷

When the secretariat of József Marjai summarised the above-mentioned proposal to the Executive Council Vice President, they stressed that the existing sectoral agreements with the EEC effectively regulated several commercial issues. Agriculture was the single exception where further negotiations were suggested by the state apparatus, since two-thirds of Hungarian agricultural exports to developed capitalist countries were sold in the Common Market.⁴⁸ During the harmonisation of ministerial views the Ministry of Foreign Affairs disapproved of the term 'diplomatic relations'. Its International Law Department suggested using the following formula for these links between Hungary and the EEC: 'relation of diplomatic character'.⁴⁹

This quibbling about the terms was not the most serious obstacle to shift towards a new approach. The finalised version of the proposal, which was signed by Minister of Foreign Trade Péter Veress on 7 June, changed the conclusions in its most important paragraph:

... we may complete our existing system of arrangements with establishing a diplomatic relation with the EEC, but this topic currently is no longer relevant. Since this question is a political issue, if later becomes timely/opportune, it requires a specific investigation.⁵⁰

This modification clearly demonstrated that the formerly mentioned state circles, the hardcore of the trade ministry and the vice prime minister's cabinet, did not support any radical advance towards Brussels. Moreover, when the Economic Committee (the Council of Ministers' economic cabinet, presided over by Marjai) accepted the Ministry of Foreign Trade's proposal at its 1 September 1982 meeting, it gave permission to launch talks with the EEC and negotiate a comprehensive agricultural agreement; however, it also explicitly claimed that these negotiations would be solely an exchange of views of a technical nature.⁵¹

After receiving the political mandate, the trade ministry initiated bilateral talks with the EEC. Foreign Trade Minister Péter Veress had a first meeting with Commission Vice President Haferkamp in Brussels on 19 April 1983, when they agreed that the parties should reassess the situation through confidential and preliminary expert discussions. Both sides outlined their stance in the 24–25 May and 15–16 June talks, and then Haferkamp, in a letter dated 8 December, called for the continuation of the negotiations. As the trade minister's later report recalled, the Hungarian side desired to spur the Commission to declare its economic offer. Veress and Haferkamp met a

⁴⁷Our economic and trade policy towards the Common Market, options to develop it, April 1982, XIX-A-2-af 40. d., Citation: 18, MNL OL.

⁴⁸A note to comrade Marjai, 11 May 1982, XIX-A-2-af 40. d., MNL OL.

⁴⁹Letter of János Nagy [Head of Department] to Tibor Melega [Deputy Trade Minister], 13 May 1982, XIX-J-1-j 1982 164. d., MNL OL.

⁵⁰Proposal to the Economic Committee, 7 June 1982. XIX-A-39-b 37. d., Citation: 16, MNL OL.

⁵¹No. 10 129/1982 Resolution of the Economic Committee, 1 September 1982, XIX-A-39-b 25. d., MNL OL.

second time in Bonn, on 17 January 1984, when the vice president expressed the univocal political will of member states to manage a rapprochement with Hungary. However, he added, there were divergent viewpoints in the Community regarding the offering of concessions to Hungary. Haferkamp stressed that there was no chance to compromise on the agricultural sector, since a dramatic situation had evolved in beef production. Veress declared that Budapest would examine different options, including a comprehensive agreement, but was also interested in concluding additional arrangements on agriculture, tariffs, and so on. Haferkamp wished advancement as soon as it was possible, while Veress requested more time to re-evaluate Hungary's approach.⁵²

Nearly a month passed after the meeting at which Trade Minister Péter Veress summarised the negotiating directives. In his 13 February memorandum to Vice Prime Minister Marjai, he analysed in detail the aims of the forthcoming talks, as well as the economic and political environment of the negotiations. He paid special attention to the fact that the Soviet Union – due to political reasons – was greatly inconvenienced by the (potential) agreements between certain socialist countries and the Common Market (except the sectoral and technical arrangements), because Moscow saw these agreements as a threat to disrupt the COMECON's unity, and might hurt the chances of a politically wished COMECON–EEC general agreement. Veress's suggested continuing the talks with Brussels, but intended to submit the issue to the top leadership solely at the last minute. When an agreement was close to conclusion, three aspects should be taken into consideration: whether the contract guaranteed Hungary's commercial rights (in accordance with the GATT); what kind of financial gains would be provided by it; and what the expected reaction of the friendly (socialist) countries would be.⁵³

There is no archival record reporting that any governmental body discussed Veress's proposal. Marjai probably decided alone that Budapest should show firmness towards Brussels. The talks the vice prime minister had in Moscow supposedly pushed him towards this direction. During their meeting in the Soviet capital, on 23 January 1984 Marjai informed Nikolai Talyzin, Soviet Deputy Chairman of the Council of Ministers, about the Hungary-EEC negotiations. Talyzin declared that the Romanian agreement with the Common Market opened not only a crack in, but a gate into the bloc's principles for the EEC. He commended and gave thanks for the continuous Hungarian information on Budapest's talks with Brussels. Talyzin reminded Marjai that in the current political climate a common action would be the most important target, and all separate negotiation attempts would weaken these efforts. The Hungarian vice prime minister replied that Hungary would conclude an agreement only if it corresponded with the common principles and resulted in relevant gains.⁵⁴

In any case, the Inter-State Relations Department for Developed Non-Socialist Countries of the Foreign Trade Ministry ordered the commercial counsellor of the Hungarian Embassy in Brussels, Péter Balázs, to present a so-called 'non paper paper' to Haferkamp. This written memo aimed to underscore Hungary's conditions in principle ('*conditio sine qua non*') of

⁵²Report. Meeting with European Commission Vice-President Wilhelm Haferkamp, 19 January 1984, XIX-A-2-af 187. d., MNL OL.

⁵³Standpoint to negotiations with the ECC, 15 February 1984, XIX-A-2-af 187. d., MNL OL.

⁵⁴A shortened report on conversation between Marjai and Talyzin on 23 January, 23 January 1984, XIX-A-2-af 187. d., MNL OL.

any agreement. In this document Budapest reconfirmed its earlier position that the following points must be strictly considered in a possible trade agreement:

Legislation of discriminatory measures and practices maintained by the Community or by its member states on trade with Hungary cannot be accepted. Consequently, a bilateral agreement to be concluded should either establish the fact that the Community and the member countries have eliminated all quantitative restrictions inconsistent with Article XIII of the GATT, or provide for a time-framed schedule for the implementation of Paragraph 4 in the Protocol of Accession.

The document also reminded that the idea of effective reciprocity was not acceptable to the Hungarian party. Additionally, the ‘non paper’ claimed that a desirable agreement should result in a substantial improvement in export conditions for Hungarian goods. The instructions to Balázs also ordered the oral expression of Hungary’s goodwill and flexible stance during the forthcoming negotiations.⁵⁵

Some Western partners were shocked by these firm Hungarian demands. As the West German ambassador in Budapest, Norman Dencker, pointed out, Bonn got the impression that the Hungarian government came to a sudden stop in its progress. During their meeting on 12 March, Dencker reminded Deputy Trade Minister Tibor Melega that a possible agreement between Hungary and the EEC would have political significance.⁵⁶ Despite the disappointment of Brussels, on 23 March Louis Kawan presented the Commission’s official proposal to continue the expert negotiations. When Melega reported on these latest developments, he highlighted that Brussels expected an unconditional approach, namely that Budapest should abandon its principles declared in the February ‘non paper’. The deputy minister warned that acceptance of such a condition could discredit Hungary in the eyes of the Soviets: such an appearance may confirm the suspicion that Hungary was in fact not driven by economic, but by political, motives. He suggested to Marjai the following tactic: Hungary would send its representatives to the expert-level negotiations, but maintain its position concerning discontinuation of the discrimination, the refusal of effective reciprocity, and so on.⁵⁷

It is no wonder that the next expert meeting in Brussels on 15–17 May 1984 adjourned without any concrete result.⁵⁸ The Belgian daily *Le Soir* reporting on these talks characterised perfectly the situation in its headlines on 24 May: ‘Hungary approaches to the Tens then retreats: attraction-repulsion.’⁵⁹

After the talks broke off inconclusively, a latent discord emerged inside the state and party apparatuses during the following months. As previously shown, Marjai’s circles, the Ministry of Foreign Trade and the top leadership in the Ministry of Foreign Affairs, preferred to conclude a solely *commercial* agreement with the EEC – with certain prerequisites. Meanwhile, the reformist wing of the HSWP, especially the Party Centre’s Department for Foreign Affairs (with the active assistance of some diplomats) intended to negotiate and

⁵⁵ Answer to Vice President Haferkamp, 22 February 1984, XIX-A-2-af 187. d., MNL OL. The ‘non paper paper’ is originally in English.

⁵⁶ Memo on conversation with Ambassador of West-Germany, Norman Dencker on 12 March 1984, 13 March 1984, XIX-A-2-af 187. d., MNL OL.

⁵⁷ Recent developments in relations with the EEC – evaluation and proposal, 29 March 1984, XIX-A-2-af 187. d., MNL OL.

⁵⁸ Balázs, ‘Trade Relations between Hungary and the European Community,’ 65, 73.

⁵⁹ XIX-A-2-af 187. d., MNL OL.

conclude a *general, demonstrative political* agreement with the Common Market to prove Hungary's goodwill and commitment towards its most important European commercial partners.⁶⁰ The former grouping still wished to avoid any confrontation with the Soviet Union and the COMECON partner states, while the latter desired to find external (Western) supporters to advance the internal reform process.

On 2 July 1984 the first grouping triumphed: the Political Committee embraced the statement that Hungary should initiate any further step towards the Community only if Brussels abolished/eliminated its discriminative and protectionist regulations. However, a loophole was hidden in the proposal voted for: the Department for Economic Policy pointed out that a disagreement emerged between the EEC member states regarding Hungary, and suggested that any shift in the Community's standpoint could be initiated solely by the largest, most respectable countries.⁶¹ This latter argument was echoed by the head of the Department for Foreign Affairs, Gyula Horn, in the late summer of 1984, when he informed and prepared István Horváth, the newly appointed ambassador to the Federal Republic of Germany. Horn expounded to Horváth that Hungary should loosen its ties with Eastern European states and broaden her cooperation with Western European countries. Horn highlighted that such a turn required external assistance, and added that Budapest should win the support of Bonn for changing Brussels' attitude.⁶²

Eventually support came from the European Parliament, which in the 23 June 1986 resolution called on the European Community to 'do all within its power to obtain an agreement on trade and economic cooperation tailored to Hungary's economic and political characteristics'.⁶³ This sentence summarised nearly all the requirements and expectations of the Hungarian political elite: appreciation of the reforms; hope for special treatment; and a comprehensive commercial agreement. It is quite another matter that the EC-Hungary agreement was only signed in June 1988, after official mutual recognition had been established between the EEC and COMECON.

Conclusions

It is indisputable that Hungary demonstrated a slow and carefully considered change of foreign policy throughout the 1970s. Although the purpose of improving relations with Western European countries was formulated explicitly in 1963–1964, Budapest did not follow the Romanian pattern of independent foreign policy, desiring instead to simultaneously open towards the West and maintain fidelity to the common socialist stance. The connection between diplomacy and foreign trade was evident in the issue related to relations with the EEC: the normalisation of diplomatic relations with Western European countries was followed by negotiations for gaining access to the Common Market for Hungarian exports.

⁶⁰This standpoint was articulated particularly in the memoirs of the HSWP's reformists: for example, by Gyula Horn, by that time leader of the Department for Foreign Affairs in the HSWP CC (1983–1985) – Gyula Horn, *Cölöpök* [Stakes] (Budapest: Móra Kiadó, 1991), 139–43; István Horváth, at that time Hungarian ambassador in Bonn (1984–1990): Horváth and Németh, ... *és a falak leomlanak*, 176–86.

⁶¹Memorandum to the PC on trade policy negotiations with the EEC and its member states, 2 July 1984, M-KS 288. f. 5/915. ó. e. 4., 48–54, MNL OL.

⁶²Horváth and Németh, ... *és a falak leomlanak*, 182–3.

⁶³Report drawn up on behalf of the Committee on External Economic Relations on trade relations between the European Community and Hungary. Working Documents 1986–87, Document A2-28/86, 21 April 1986. University of Pittsburgh, online Archive on European Integration. <http://aei.pitt.edu/1690/> (accessed 22 November 2018).

Hungarian trade interests were articulated in an independent fashion in 1965, when the Foreign Trade Ministry argued that Hungary should build its own contacts with the Common Market, independently from COMECON. By 1968, it became evident that Western European integration was not only a reality, but also an irreversible process that would only deepen in the following years. The highest echelons of the state bureaucracy, especially the foreign trade department(s) dealing with relations with the West, took into account the long-term interests of Hungary and proposed a cautious opening towards the EEC. However, they continuously confronted actual (frequently short-term) political constraints represented by the resistance of the non-reformist wing of COMECON (especially by the USSR and East Germany). By the turn of the 1970s the second oil shock and the international debt crisis posed additional challenges for the Hungarian leadership. They had to play three different shows in three theatres simultaneously: maintaining the illusion for its internal audience that living standards remained unchanged; making Moscow believe that Budapest still shared the common political line; and continuously asserting to the West that Hungary was a model pupil in economic reforms and liberalisation.

As this article has demonstrated, Hungary's commercial interest was merely one factor in a complex internal debate; its relationships with the Soviet Union and its military and economic allies were likewise important when considering whether to progress with or to break off the reform process. Within this framework, the issue of concluding an agreement with the EEC became a home-front battlefield between the 'hawks' and 'doves' of the political leadership at the turn of the 1970s. The standpoint of the Communist Party underwent a radical transformation during the decades investigated here; meanwhile, latent disputes polarised the older and younger generations of party apparatchiks. The 'hawks' of the HSWP had an aversion to cooperating more intensively with the West and remained adamantly loyal to the Soviet stance towards the EEC. On the contrary, the 'doves' of the Hungarian party, starting with the first wave of reformists like Rezső Nyers and continuing with young technocrats like Gyula Horn or Miklós Németh, believed in inter-bloc cooperation, and wished to obtain external support for internal political and economic reform through a demonstrative agreement with the Common Market.

The formerly avant-garde trade ministry changed its battle position in the first years of the 1980s: the state apparatus 'hawks' sacrificed European cooperation for the sake of a power play, as the ironhanded József Marjai struggled in his private war with the party reformer Ferenc Havasi. Marjai probably did not wish to lose Soviet support in exchange for an EEC trade agreement which might result in a few dozen million US dollars in commercial profits. Quoted sentences from Helmut Schmidt's letter proved to be a prophecy. Hungarian politicians examined carefully the short-term pecuniary advantages of a rapprochement as well as the long-term hazard of confronting the Soviets; in the end they deemed it safer to stand in line. Moreover, Marjai and his circle misinterpreted the international political situation. They believed that a façade of ambivalent economic reforms would impress the European Community to such an extent that they would gain special treatment, while in reality the EEC expected determined, more independent behaviour towards the Soviet Union and a courageous opening towards the West, which should take the form of formal recognition of the EEC.

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Appendix

Table A1. Value and share of Hungarian imports from the EEC member states compared to its imports from developed market economies and all imports, in foreign exchange Forints (1970–1975) and current Forints (1976–1985); share in percent.

Source: *Külkereskedelmi Statisztikai Évkönyv* [Foreign Trade Statistical Yearbook] 1970, 1975, 1976, 1980, 1985. Shares are own calculations. Between 1946 and 1975 Hungarian foreign trade was evaluated in a non-existent currency, 'foreign exchange Forints', while after 1975 it was evaluated in current Forints. Due to this formal currency change, the ante- and post-1975 periods are not comparable.

	1970	1975	1976	1980	1985
Total Hungarian imports	27,894,454	61,537,408	230,056,051	299,898,514	410,127,513
Imports from developed market economies	8,115,545	16,844,641	84,224,868	120,626,209	158,024,085
Imports from the EEC	3,818,873	9,844,487	49,192,020	66,372,631	86,889,850
Share of EEC imports of total imports	13.7	16.0	21.4	22.1	21.2
Share of EEC imports of imports from developed market economies	47.1	58.4	58.4	55.0	55.0

Table A2. Value and share of Hungarian exports to the EEC member states compared to its exports to developed market economies and all exports, and the balance of trade with the EEC; in foreign exchange Forints (1970–1975) and current Forints (1976–1985); share in percent.

Source: *Külkereskedelmi Statisztikai Évkönyv* 1970, 1975, 1976, 1980, 1985. Shares are own calculations.

	1970	1975	1976	1980	1985
Total exports of Hungary	25,628,620	52,169,763	204,833,460	281,012,316	424,600,580
Exports to developed market economies	6,861,074	11,374,614	64,554,653	98,634,872	130,672,204
Exports to the EEC	3,792,861	6,513,542	35,413,227	54,921,526	66,905,473
Share of exports to the EEC of total exports	14.8	12.5	17.3	19.5	15.8
Share of exports to the EEC of exports to developed market economies	55.3	57.3	54.9	55.7	51.2
Balance of trade with the EEC	-26,012	-3,330,945	-13,778,793	-11,451,105	-19,984,377

Table A3. Pattern of Hungarian imports from the EEC member states between 1970 and 1985, by Standard International Trade Classification (SITC) categories, in percent.

Source: Own calculation based on *Külkereskedelmi Statisztikai Évkönyv* 1970, 1975, 1976, 1980, 1985.

	1970	1975	1976	1980	1985
Food and live animals	10.9	5.7	5.7	4.4	3.1
Beverages and tobacco	0.2	0.5	0.4	0.3	0.4
Crude materials, inedible, except fuels	7.1	4.2	4.8	4.8	4.2
Mineral fuels, lubricants and related materials	0.8	1.2	1.3	2.8	6.5
Animal and vegetable oils, fats and waxes	0.7	0.4	0.3	0.4	0.1
Chemicals and related products	18.8	27.0	27.6	28.4	26.6
Manufactured goods	29.1	25.1	23.2	21.4	20.9
Machinery and transport equipment	26.1	30.4	32.0	31.8	30.7
Miscellaneous manufactured articles	6.2	5.1	4.5	5.6	7.5
Commodities and transactions	0.0	0.3	0.0	0.0	0.1
Total	100.0	100.0	100.0	100.0	100.0

Table A4. Pattern of Hungarian exports to the EEC member states between 1970 and 1985, by SITC categories, in percent.

Source: Own calculation based on *Külkereskedelmi Statisztikai Évkönyv* 1970, 1975, 1976, 1980, 1985.

	1970	1975	1976	1980	1985
Food and live animals	47.6	38.3	30.6	24.5	27.9
Beverages and tobacco	1.2	1.2	1.1	1.6	1.2
Crude materials, inedible, except fuels	10.8	9.5	11.1	8.4	8.4
Mineral fuels, lubricants and related materials	0.6	0.8	3.1	3.0	4.0
Animal and vegetable oils, fats and waxes	0.2	0.5	0.4	0.6	0.9
Chemicals and related products	3.9	8.0	8.0	13.1	16.8
Manufactured goods	19.8	16.0	20.8	19.0	15.6
Machinery and transport equipment	7.0	10.7	10.0	11.6	11.3
Miscellaneous manufactured articles	8.9	15.0	14.7	15.9	13.0
Commodities and transactions	0.0	0.0	0.0	2.3	1.0
Total	100.0	100.0	100.0	100.0	100.0