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July 24
VI/1073HUNGARYFOREIGN RELATIONS

Hungarian travelers abroad

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/1510/VISIT OF HUNGARIAN BUSINESSMEN TO EGYPT,
SUDAN, SYRIA, LEBANON AND ITALY.SOURCE ROME: Member of a Hungarian commercial delegation on his way home.DATE OF OBSERVATION: February 4 to June 20 1956.

EVALUATION COMMENT: This report supplies a very interesting background to the Hungarian-Egyptian business transactions supported by all means by the Regime. The construction of the EL TABIR power station was also reported in the press which interpreted it as a great propaganda success.

The case of the eight tons of paint sold in DAMASCUS is very characteristic of the conditions prevailing in the State-run foreign trade and demonstrates that there are few possibilities ^{for} competition in a people's democracy.

The construction of the TISZAPALKONYA nylon factory and of a pipeline for conveying Rumanian natural gas are known from the press.

The Miklós TÓTH mentioned in this report was a functionary of the Hungarian foreign service in the early postwar years. His tasks as an intelligence agent and his suspicious behavior were known by Hungarian exiles.

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The name and position of MANDULA are confirmed.

Concerning FAHIDY it may be added that in the meantime he has redefected to Hungary.

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The two trade representatives left BUDAPEST on February 4. In ROME they stayed for a couple of days. In Egypt they met many Hungarians. One night 35 Hungarians dined together at one of the hotels.

Hungarian-Egyptian friendship was greatly emphasized. Apart from the Helwan bridge which source did not see and did not concern him, the electric power plant of EL TABIR was the greatest Hungarian enterprise. The Hungarian government received this job through the "intervention" of BBC; source prophesied the mad economic fiasco of the deal.

In January this year, difficult and lengthy negotiations were held in Egypt between the Hungarian and Egyptian delegations for the building of the power plant and the conclusion of the contract. The Egyptians demanded extremely difficult conditions, among others a penalty of 60 days -- that is to say if the accomplishment of the work was delayed by that length of time, the Hungarians would have built the whole project for practically nothing. The Hungarian delegation was on the verge of breaking up all negotiations, when a BBC announcement saying that the Hungarian government won the contract of EL TABIR was overheard in BUDAPEST. This was not true naturally, but the next day a telegraphic message went to CAIRO to the Hungarian delegation ordering them to accept every condition and to sign the contract as the Hungarian government needed the assignment for prestige reasons.

According to source, there is already great delay and loss is certain.

The two representatives special task in Egypt was to come to terms on the question of cotton delivered by Egypt last year to the value of £ 4,000,000. So far the Hungarian government had only delivered goods to the value of £ 750,000 and the Egyptian government pressed them to conclude the deal. They succeeded in winning a competitive contract as a condition and to deliver GANZ crude oil trolleys and railway carriages to the value

of £ 1,500,000. Apart from these the Hungarian government will deliver other merchandise to the value of £ 1,000,000 mostly /Elzett/ lock and padlock goods, the quality of these being inferior to those before the war but able to beat foreign competition by their low price, tiles and bathtubs and other bathroom equipment, glass-ware bicycles /which are in source's view of very inferior quality, / radio sets of "Duna" make. The remaining sum will be accounted for in the EL TABIR enterprise, but what will happen if the Hungarian government has to lose on that deal, source is unable to say...

Source went also to KHARTOUM, but for the time being did not conclude larger deals there. They left GATRO for KHARTOUM together with the Hungarian Minister, who went there to present his credentials.

In Syria, source had an unpleasant experience. While in DAMASCUS, a Jewish merchant came to see him and complained loudly that the Hungarians ruined him. Namely he bought eight tons of paint from CHEMOLIMPEX in eight different shades as indicated on the samples. When the paint arrived he sorted the tins out according to their color and started to sell them. On the first day a customer returned the paint which he bought for red and turned out to be blue. Such cases occurred daily. Source himself was unable to ascertain the cause of the mistake. "Was it sabotage?" he wondered. "One thing is certain we will never be able to sell more paint to Syria."

During June, the current year, source and GATI made a business trip to Italy. They went to TRENTO, TRIESTE, MILAN, BOLOGNA, GENOVA and FIRENZE. They sold many goods, mostly tiles and glass-ware. On Tuesday morning they concluded in ROME their last deal for bathroom equipment and glass-ware, to the value of 60,000 dollars. A bath-tub manufactured in Hungary, after paying shipment and customs, still costs 3,000 lira less than those manufactured in Italy. It is easy to produce for cheap export at the expense of the Hungarian worker, whose living standard is still decreasing.

Information on Domestic Affairs,
Radio Listening.

At home in Hungary, source systematically

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listened to - and got annoyed with - RFE broadcasts. These broadcasts were extremely popular among the peasants. The intelligentsia was a bit fed up by the continuous "promises" which were never realised.

Source repeated that in his view every Western broadcast, but in particular RFE, had the predominant fault that the directorate was not Hungarian. According to his knowledge there is a Hungarian political committee in NEW YORK whose members are former politicians like ECKHARDT and KALLAY, and politicians from 1945 - like Ferenc NAGY and Bela FABIAN. Why do these not work out a concrete program for the time after liberation? People at home have no idea with what program these politicians want to return to Hungary and thus naturally believe RAKOSI that they want to give the land back to the counts and bishops, the factories to the Jews. If people would be able to hear the voices of these politicians and their concrete plans, the broadcasts would have a much greater success even among the intelligentsia.

If these Hungarian politicians have no common platform in which they would agree, each of them should give his own ideas; they would even receive letters from Hungary as everyone would like to debate the question of what will happen in the future.

In one word, the lack of program for the future is a great fault, and so are the continuous threats against those who collaborated with the Regime. After 10 years of Red rule, nearly everyone is "compromised." This is a fact and if free elections were held in Hungary with Western control - apart from the fact that there are no more than 20,000 convinced Communists in source's view in Hungary - the Communists would gain at least one million votes, because that is the number of persons who would try to save their skins from the wrath of the Hungarians returning from the West.

He heard from people who came from Hungary that barbed wire fences are really dismantled at the border but that road and railway control is so strict from GYOR on that it will not be easy to escape even now.

According to source Hungary is governed through a telephone line from MOSCOW; RAKOSI has only prestige but his power is not greater than that of a

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former high-sheriff who had to guess continually what the Ministry of the Interior wants.

Even in his own province source found that a simple claim for a sum above 500 dollars could not be decided on on the premises, it had to be taken to the Ministry of Foreign Trade, from whom they never received an answer in under a week, even in the most urgent cases. To get a simple signature from one of the under-secretaries of state much less time is needed therefore in his view everything has to be referred first to MOSCOW.

Production is carried out with an enormous deficit. This particularly applies to the so called KÖMÜ Works for medium machine industry. These were built in STALIN's time for war purposes and are located at the most improbable places. The nearest town is 30 kilometers away and if one needs a bottle of polish, for example, a car has to be sent to fetch it. The plants have no centre from which to engage the working staff and no raw material. When later on the plan for "overrunning" Europe was postponed and there was no more immediate necessity for these plants, part of the machines were sealed. A Russian commissary has to check each year whether they were used in the meantime and in what condition they are. The other machines were handed over for industrial purposes and work sometimes with a 550 per cent deficit /for example in the Nógrád factory/, not to speak of the faulty products.

The standard of living continues to deteriorate and if now, we have to pay the 85,000,000 dollars for TITO, everyone will become even poorer. This however, does not bother the regime, because RAKOSI has not one grain of consideration for the Hungarian people. As far as he is concerned, he considers himself a hundred per cent Soviet man and if, tomorrow, he would be transferred to Uzbekistan, he would happily take up his "Gauleiter" post there. Consequently, source cannot believe in RAKOSI's downfall, because the other Jewish Muscovites around him are all sickly and unpopular. Thus, he could be replaced only by a young

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Communist of Hungarian origin, who in order to make himself popular, would start with concessions. This on the other hand would not please KHRUSHCHEV and his company, however much they try now to fool the world with their new policy. Listening to the talk between GATTI and the Cairo minister, source felt that both of them were laughing at how the West could be duped.

The government had to make a contract for 150,000 tons of wheat, in America for this year. We would have liked to export much more, but the peasants do not wish to produce and even if they would export, one single ton of really first class quality wheat could not be found in the whole country. The main reason for that symptom is the wretched land reform which the Russians have forced on us. There was need for a land reform but I think that even Imre KOVACS, the "sham peasant" did not believe that such a terrible reform would be brought. Now, the land reform cannot be undone anymore, save that perhaps small model farms could be set up from the lands taken away from the Communists in the future. But does the emigration make plans for a future farming system and the realization of co-operatives on the Danish pattern?

Only the Margit island Grand Hotel has a European standard in BUDAPEST; the Duna and Astoria hotels are terrible and their staff is insolent. Source, when he has to take foreign visitors to these hotels, used to give extra tips for the chambermaids, in order that they should be kind enough to make an appearance if anyone rings the bell, and so on...

A nylon factory is built now at TISZAPALKONYA, which would be certainly very useful if it did not depend entirely on the Transylvanian natural gas. We could get it at a reasonable price if we built the pipe line. Yes, but what will happen if the MOSCOW boss would stop directing it? We hate the Rumanians, they hate us, and they only have to cut off the gas supply and the whole several millions investment would be useless.

The case of Miklos TOTH in VIENNA was interesting. This boy was a son of university professor in SZEGED, Laszlo TOTH. He was at the VIENNA legation. In 1948, the Rot-Weiss station broadcast that he was taken off the train at the SEMMERING by the Russians and kidnapped. Two weeks later, source met him in BUDAPEST.

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He was OK, but source has not seen him since. In source's view, he was abroad with an assignment and they chose this way to bring him home in order that when he went to VIENNA again, he should be considered a martyr.

At the time of the RAJK affair, however, the police wanted to arrest, BARTHA, a police colonel at the apartment of this Miklos TOTH. He succeeded in evading the police and was shot only a few days later, allegedly when attempting to escape on the Balaton highway. Since that time, Miklos TOTH has really disappeared and source was told by his father that he is in the Pestvárosi prison, from where he could send news indirectly.

The reason why source told this story was that he heard that "the emigration made a great man of FAHIDY." Source knew him personally at the time he was at the editorial office of "Világ." He was supposed to be a police informer. Later on, he had the reputation of being a big reactionary, and this was also suspicious, because why should he? Source does not know about him much: whether he is good or bad. But one never knows, how the red informers are sent out.

In source's opinion, Mr. MANDULA of the ROME trade agency is a very dangerous man, because he speaks several foreign languages, has manners and could easily dupe the unsuspecting foreigners. Source thinks that he would be ready to betray his own brother. Mr. GERGELY, on the other hand, also an employee, makes the impression of a decent man. "After ten years, we have an experience to distinguish a decent man from an agent and know whom I should believe."

In source's view emigration should have one single purpose, to prepare themselves for returning home. It may be that this will take decades or more but then, there will be such a spiritual desert in Hungary that even a backward country like Bulgaria -- a country which was always set as an example for the students who failed at the university -- would seem an unattainable dream. Young people have no ambitions to study: if they are good Communists they make a career and if they have a bad cadre, they have no prospects, anyway.

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One of source's relatives, a teacher, showed him the exercises written by the students of an upper class in a BUDAPEST gymnase. They were full of spelling mistakes and perfectly primitive. But if one looks at the handwritten applications for admittance to the Serunion, one feels convinced that the candidates would not even have been appointed street sweepers in past times.

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