

Record of Conversation
Of Comrades K.Y. Voroshilov and A.I. Mikoyan with Comrade M.I. Rakosi
February 27, 1956

From the Soviet side were present: Minister of Foreign Trade of the USSR Comrade Kabanov, Head of the Main Directorate for Economic Relations with People's Democracies Comrade Koval, Deputy Head of the Main Directorate for Economic Relations Comrade Sidorovich, USSR Ambassador to Hungary Comrade Andropov.

From the Hungarian side were members of the Politburo of the Central Committee of the Hungarian Party of Workers, Comrades Kovacs Kozhef and Salaya Bela.

Comrade Voroshilov opens the meeting and gives the floor to Comrade Mikoyan.

Comrade Mikoyan says that the Presidium of the Central Committee of the Communist Party of the Soviet Union has instructed him and Comrade Voroshilov to meet with Comrade Rakosi in order to clarify some of the issues that he, Rakosi, raised in a conversation with the Soviet Ambassador Comrade Andropov. Comrade Mikoyan, referring to the Ambassador's telegram, cites an excerpt from the conversation, where it was said that Hungary allegedly paid the Soviet Union twice for the Austrian property sold to them by the Soviet Union from among the German assets that passed into Soviet property on the basis of the decisions of the Potsdam conference. Comrade Mikoyan asks Comrade Kabanov to provide information on this issue.

Comrade Kabanov reports that the Soviet side received only German assets from Hungary and that the Austrian property was not listed among them. Therefore, the Soviet side did not receive Austrian assets from Hungary. As for the value of the assets, according to the decision well known by Rakosi, the Soviet side yielded 3/4 of the value of the assets to Hungary.

Comrade Rakosi notes that it is rather difficult to separate the Austrian assets from the German ones, since after the Anschluss, German firms often absorbed Austrian firms.

Comrade Mikoyan says that at this current meeting it is impossible to fully clarify this issue and proposes to appoint Soviet experts to help Hungarian experts, who would, on the basis of documents, establish the true situation. If it turns out that Hungary has really overpaid anything to the Soviet Union for the mentioned Austrian property, then this money will be

returned to the Hungarian government. As for the Hungarian position on this issue in negotiations with the Austrians, this is entirely the Hungarian government's business.

Comrade Rakosi says that he has no claims against the Soviet side on the issue of Austrian assets and would like to consider this issue closed.

Comrade Mikoyan says that it is also necessary to figure out the issue of Hungary's purchase of T-34 tanks in Czechoslovakia. In 1955, an agreement was signed between the USSR, Czechoslovakia and Hungary regarding the supply of weapons. Under this agreement, Hungary was supposed to purchase 400 tanks from Czechoslovakia. They bought 100 tanks, and are refusing to acquire the other 300, on the pretext that these tanks are not modern and that, on the other hand, Hungary does not have enough funds to buy the specified tanks. The position of Hungary on this issue is a violation of the trilateral agreement on its side. It puts the Czechoslovak comrades, who have already begun to fulfill the specified order for the production of tanks, in a difficult position, and deprives Hungary of the ability to arm its army in a timely manner with battle tanks, of which there is a shortage.

Considering the difficulties that Hungary is experiencing, it would be possible to agree that the agreement on the supply of tanks was only partially implemented. It would be fair if Hungary acquired 75 tanks from Czechoslovakia in 1956, after which the work of the specified agreement could be terminated.

Comrade Voroshilov says that Comrade Rakosi's remark that the T-34 tanks are outdated is baseless, since this type of tank is currently in use by the Soviet Army, as well as by the armies of other countries of the socialist bloc. He stressed that this tank is superior in its combat abilities to many types of American and British tanks currently in service in their armies. Comrade Voroshilov believes that it would be appropriate if Hungary bought not 75, but 100 or 120 tanks from Czechoslovakia.

Comrade Rakosi states that he agrees with Comrade Mikoyan's proposal and believes it appropriate that Hungary acquire 75 T-34 tanks from Czechoslovakia in 1956.

Comrade Mikoyan notes that it would be necessary in the near future to hold a conference of representatives of the USSR, Czechoslovakia and Hungary to officially formulate the aforementioned resolution of this issue.

Comrade Mikoyan says that in a conversation with our ambassador, Comrade Rakosi criticized the work of the commissions for the coordination of production, created by the

decision of the January meeting of the leaders of the communist and workers' parties of the countries of the socialist bloc. In the above-mentioned conversation, Comrade Rakosi asserted that one of these commissions, working in Berlin, created 26 subcommittees, to which about 100 Hungarian senior officials are supposed to be summoned. According to the Council for Mutual Economic Assistance, all commissions created by the decision of the January meeting have begun work, and this work is being carried out in the interests of all the countries of the socialist bloc, including Hungary. As for the Berlin commission, it created not 26, but 11 subcommittees, where 1-2 people from each country are being summoned.

Comrade Rakosi notes that Hungary has already sent 36 of its officials to the indicated subcommittees.

Comrade Mikoyan says that sending such a large number of workers to participate in the work of the subcommittees is inexpedient and that the Hungarian comrades themselves must decide how many and which officials should be sent to participate in the work of the subcommittees mentioned.

Comrade Mikoyan says that at one time Comrade Rakosi, in a conversation with him, raised the issue of the need to increase trade between the USSR and Hungary. Comrade Mikoyan reports that the trade volume between the USSR and Hungary in 1956 [sic] increased significantly compared to last year, especially in terms of the export of Soviet goods to Hungary, which is of particular interest to the Hungarian side. Almost all Hungarian requests for the supply of Soviet goods and especially raw materials, with the exception of some items (copper, natural rubber, and some others), have been fully satisfied.

The total volume of trade between the USSR and Hungary compared to 1954 is slightly lower because Hungary refuses to buy machinery and other industrial equipment from the Soviet Union.

Comrade Rakosi notes that as a result of industrialization Hungary at this time has less need for the goods mentioned.

Comrade Mikoyan says that the Soviet Union is not imposing these goods on Hungary and that he mentions this fact only in order to explain why there was a slight decrease in trade between our countries.

Comrade Rakosi asks whether the Soviet government can consider an additional request of the Hungarian government for a number of goods, which are critical for the Hungarian people's livelihoods?

Comrade Mikoyan replies that if such a request is made it would be considered by the Ministry of Foreign Trade. However, he cannot make any assurances that this request will be granted.

Comrade Rakosi says that the Hungarian government will submit such a request and asks if the Soviet government can allocate a loan of 20 million dollars to the government of the Republic of Hungary, since the situation with Hungary's foreign debt to capitalist countries is very serious.

Comrade Mikoyan says that, as is known, at the end of last year we made a decision to provide assistance to Hungary in connection with the difficulties that have arisen with the Hungarian foreign debt. This should substantially ease the situation. Now the Hungarian comrades must take all necessary measures to improve the situation even further. Unfortunately, it is not possible to allocate a loan of 20 million dollars.

Comrade Voroshilov notes that it is necessary to economize as much as possible in using materials, especially those that are imported into Hungary from abroad and above all from capitalist countries. Hungary has every opportunity to pursue such savings without affecting the vital interests of the working people, since the living standard of the Hungarian population is quite high, even somewhat higher than that of the population of the Soviet Union.

Comrade Mikoyan, referring to the request of the Hungarian government for a loan from the Soviet Union of 100 thousand tons of wheat, says that the Soviet side, unfortunately, cannot satisfy this request from the Hungarian government.

Comrade Rakosi notes that he foresaw that meeting the aforementioned request would involve serious difficulties for the Soviet government.

Comrade Mikoyan then says that at one time the Hungarian comrades raised the issue of changing the exchange rate of the forint to the ruble. We are agreeable to changing the exchange rate appropriately. However, recently the Hungarian comrades have requested not to change the forint-ruble exchange rate, since this would have a negative impact on Hungarian foreign transactions. We prepared a new version that practically solves this problem, and it appears to be suitable for the Hungarian side. It would be good if a competent Hungarian representative looked

at this new version together with our representatives so that later, upon reaching a common understanding, it could be formalized with an appropriate agreement.

Comrade Rakosi expresses his agreement,

Written By: Y. Andropov

Correct: Mikoyan [handwritten signature]

[Translated by Sarah Dunn for the National Security Archive]



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