

Our slate of activities in Budapest included meetings with the Republic President, His Excellency Bruno Straub, our host Mr. Szurös, Deputy Prime Minister Peter Medgyessy, Trade Minister Tamas Beck, and representatives of "parallel" groups, that is future opposition parties. I also met with President Somogyi of the committee preparing the 1995 Vienna-Budapest Universal Exposition.

National Assembly Deputy Speaker Maria Jakab was kind enough to hold a luncheon in our honour in the Parliament building and to accompany us during part of our visit. We were grateful for the extremely competent assistance given to us by Canada's ambassador in Hungary, Mr. Derek Fraser. We are very grateful for his assistance and advice as well as for being the guests at a most enjoyable dinner hosted by Mr. and Mrs. Fraser at the residence of the Canadian ambassador.

During our visit we could not help noticing the deep changes now taking place in Hungary under the impulsion of the economic and political reform movement, changes which Hungary was one of the first East Bloc countries to undertake.

[English]

The key elements of the reform process are political pluralism, economic liberalization, and increased national identity. While Hungary sees itself as being in the vanguard of Perestroika, the governing party, the Hungarian Socialist Party—formerly the Hungarian Socialist Workers Party—has a problem of political legitimacy and of alienation by the population. Contributing to its problems are a deteriorating economic situation and the necessity to deal with popular discontent over declining living standards and high inflation.

Hungarian foreign policy is directed towards responding better to specifically Hungarian interests, in contrast to the principle of "bloc solidarity", towards promoting better East-West relations; and towards laying the groundwork for closer economic relations with the West.

President Szuros, in response to my emphasizing that Canada was following the process of reform in Hungary with sympathy and interest, underlined that the transformation of a socialist dictatorship into a democracy was not only a unique event but involved considerable risks. Hungary needed the support of the West. It sought investment, not aid. It sought an end to discrimination in the form of trade and tariff barriers.

The urgent necessity of western investment in Hungary, as being essential to the restructuring of its economy, was underlined in the strongest terms by Mr. Beck, the Minister of Trade. Hungary was looking for investments in capital and light industry, the chemical industry and the food industry. So far, he said, Hungary had been disappointed with the level of western investment. Mr. Beck also called for an end to "unfair discrimination" in tariff matters, and for understanding on the part of the IMF in the negotiations on rescheduling the payment of Hungary's debt. He stated that investments for restructuring the economy would help to modify the disastrous debt service ratio being borne by Hungary. Hungary's convertible currency earnings, out of which it had to service its debt, were presently very limited.

In my meeting with Deputy Prime Minister Medgyessy, he provided me with further details on the government's political and economic reform policies. He emphasized that it was the intention of the government to achieve a political democracy, with many parties and the rule of law, together with a market economy with public and private companies and cooperatives. Hungary would hope to negotiate membership in the EFTA and to achieve an opening with the European Community.

He stated that the reforms of the economy inevitably created tensions and problems—for this reason it was important that elections to a reformed Parliament be held as soon as possible. This would help Hungary in its negotiations with the IMF too.

During my meeting with President Straub, he too referred both to the possibility that elections might be held as early as November 1989 and to the negative effect that a postponement of elections might have. He hoped that, after the elections and formation of the new government, it would be possible to restore the confidence of the population in the government as a whole and to proceed with the economic changes. He called for Canadian support for the changes taking place in Hungary.

• (1720)

[Translation]

At every opportunity, I assured my hosts that Canadians are following current developments which they find very comforting and that we think the new directions are promising, despite a difficult start, and guarantee a better future for the Hungarian people. I also suggested that we understand Hungary turning to Canada and other western countries as a source of foreign investment and as potential partners in joint ventures.

I pointed out that, in fact, the volume of private Canadian investments is on the rise and that a growing number of Canadian companies are thinking of investing in Hungary. The pursuit of democratic reforms and the election of a new Parliament will certainly attract Canadian investors.

During my visit to Budapest I met with the chairman of the 1995 Vienna-Budapest Universal Exhibition Committee who outlined the plans for this event in which a Canadian group is anxious to participate in a joint venture with Hungarians.

Every discussion held during my stay was quite frank and we had plenty of opportunities to deal with issues such as the potential effect of economic reforms on employment and inflation, the need to bring market forces into play in order to reduce government intervention and cut red tape for potential investors. Hungarians recognize that economic restructuring must go hand in hand with political reforms, otherwise it would only add to the tensions and lead to an impasse.

[English]

A meeting with representatives of three of the alternative groups participating in the round table discussions regarding the role to be played by such opposition groups in the parliament was very informative. The groups represented were in the Independent Smallholders Party, the Popular Christian-Democratic Party, and the Democratic League of Independent Unions, which was present at the round table in observer