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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Vaclav Havel, President of Czechoslovakia (U)

PARTICIPANTS: U.S.
The President
James A. Baker III, Secretary of State
Nicholas Brady, Secretary of the Treasury
Robert Mosbacher, Secretary of Commerce
Carla Hills, U.S. Trade Representative
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert Zoellick, Counsellor, Department of State
Raymond G.H. Seitz, Assistant Secretary of State for European and Canadian Affairs
Shirley Temple Black, Ambassador to Czechoslovakia
Robert L. Hutchings, Director for European Political Affairs, NSC Staff
Lisa Valyiova, Interpreter

Czechoslovakia
Vaclav Havel, President
Marian Calfa, Prime Minister
Vladimir Dlouhy, Deputy Prime Minister
Jiri Dienstbier, Foreign Minister
Vaclav Klaus, Minister of Finance
Andrej Barcak, Minister of Foreign Trade
Rita Klimova, Advisor to the President
Michael Zantovsky, Presidential Press Spokesman
Aléxandra Brabcova, Interpreter

DATE, TIME February 20, 1990, 12:30 - 1:35 pm
AND PLACE: The Old Family Dining Room

Following their expanded meeting in the Cabinet Room, the President and President Havel moved to the Old Family Dining Room at 12:30 for their working lunch. (U)

President Havel: I will be returning to Prague for the anniversary of the Communist Putsch on Monday and then going soon to Moscow. (Ø)

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The President: Do you know Gorbachev personally? (S)

President Havel: Not personally, but we have corresponded about the Warsaw Pact. (S)

The President: He's a very interesting man who faces enormous problems. (S)

President Havel: I personally have the feeling that he needed to confederate the Soviet Union before this wave of national problems. His opponents are not only around him, but inside him -- through Marxism/Leninism. (S)

The President: You might have to work on his wife. She's a more rigid ideologue than he is. (S)

Deputy Prime Minister Dlouhy: I hope Mrs. Bush was successful in that. (S)

The President: Barb has not seen her since I became President. I want to ask President Havel about his experience in jail. Is this unpleasant for you -- to talk about your conditions in jail? (S)

President Havel: It was a very hard time. There were spies all around us. The leader of our jail was a fascistic idiot. (S)

The President: Where is he now? (S)

President Havel: He drank himself to death. (S)

The President: The Chancellor of Austria is in town today. (U)

President Havel: I will meet him for some minutes at a reception at our Embassy. (U)

Minister Klaus: He wants the European Bank in Vienna. (S)

The President: I guess we have bad news for him. (S)

Minister Klaus: We appreciate your support very much. (U)

The President: President Havel mentioned that Czechoslovakia would like to attract foreign investment and that Vienna already has a large UN contingent. (S)

President Havel: We have a wonderful castle, which would make a wonderful home of a European institution. (S)

Secretary Baker: Mr. President, the European Development Bank is designed to benefit Eastern Europe. That's why we think it should be in Eastern Europe. (S)

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President Havel: Telecommunications are very important for us. This is something we just talked about. Prague was once the crossroads of Europe. (S)

Deputy Prime Minister Dlouhy: Yes, communication is vital. You can't run a market reform without it. (S)

Minister Klaus: There are lots of American firms proposing that their firms go to Prague. (U)

The President: President Havel mentioned the possibility of acquiring two new television channels. (S)

Minister Barcak: There is the problem of allocating frequencies and also the matter of technical assistance for creating a third and fourth channel to carry CNN and so forth. (S)

Secretary Mosbacher: Do you have an allocation of frequencies? (S)

Minister Barcak: I think so. (U)

Secretary Baker: Secretary Mosbacher will be going to Prague on Monday, and he can look into this. (U)

The President: May I change the subject? Germany. Do you worry about unification? (S)

President Havel: Everyday someone asks me that, and I say there is no need to be afraid of a democratic country, even with a 100 million people. On the other hand, a small aggressive country can be a problem. Therefore, the problem is not the size, but the democratic inclination. (S)

Minister Barcak: We are dependent on Germany for capital. (S)

Secretary Baker: In response to your request, we have arranged a private sector advisory group consisting of Paul Volker, Bob Hormats, John Whitehead, and others designed to support your private sector reforms. This will be private, not government, and funded privately. (S)

Secretary Mosbacher: It will be important to give some sense of comfort to U.S. companies. (S)

Minister Dlouhy: Yes, that's one reason we're here -- to convince U.S. businessmen that we are serious. (U)

The President: Mr. President, will you be meeting with Czech and Slovak groups here? (U)

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President Havel: I gave an address yesterday to all Czechs and Slovaks around the world. Some are collaborating with a special board I established in the President's office, including my old friend Milos Forman and Mr. Bata, the shoemaker. (U)

The President: Where do we stand on negotiating a trade agreement? (S)

Carla Hills: We have a meeting this afternoon with Minister Barcak. We will put on a fast track our trade and investment agreement. We've been doing our homework. (S)

Minister Barcak: We're doing our homework too. We would like MFN before the elections in June -- not for economic reasons, but as a political signal. (S)

Carla Hills: I think we can meet that deadline. We should have a quick turn-around meeting in Prague. (S)

The President: Nick, are there any Treasury problems? (S)

Secretary Brady: Not problems, but an IMF mission is going to Czechoslovakia in March. (S)

Minister Klaus: We hope to be members of the IMF and World Bank. (S)

Deputy Minister Dlouhy: We want to reactivate our membership, since we were among the founding fathers at Bretton Woods. We had a good meeting this morning with the IMF Managing Director, and some missions are coming to Prague. (S)

Minister Klaus: We will need to talk about problems in our budget. (S)

Secretary Brady: What is the state of the budget? (S)

Minister Klaus: I can tell you a good story. My appointment was on the 10th of December, and I was supposed to bring the budget forward on the 13th of December. This was prepared by our predecessors. I didn't even read it. I asked for a three-month provisional budget. (S)

President Havel: May I take the opportunity to ask for money for the President's office? (S)

Minister Barcak: I would like to ask for a loosening of COCOM restrictions. We have to change our technological level, and we will be in a position to offer guarantees about technology transfer. (S)

The President: We've been working on this. Let me ask Secretary Baker to elaborate. (U)

Secretary Baker: A review is underway within our own government, and we've just attended a meeting with our COCOM partners with particular reference to the East European democracies. Our position is that we should be able to differentiate, but that is not the view of all our COCOM partners. I told the Foreign Minister this morning we can send an extra delegation with special reference to the assurances you can give. We would like to expand our cooperation. (S)

Ambassador Black: Mr. President, I would like to add that it is not an Iron Curtain, but a pollution curtain these days. (U)

The President: The President and I discussed that. (U)

President Havel: I'm glad Ambassador Black spoke about that. Pollution in Czechoslovakia is unbelievable. In northern Bohemia, some villages are entirely destroyed. (U)

The President: When Carlos Salinas, the President of Mexico, was here, he said he would like to be President of Mexico when children paint pictures where one can see the stars and the sun. That made a real impact on me. We have to help. We are doing better here. We have good technology, and we can talk about that with you. (U)

Deputy Prime Minister Dlouhy: We also have the problem of high energy consumption. (U)

The President: Are you mining soft coal? (U)

Minister Klaus: Brown coal. Lignite. We do need assistance. (U)

The President: We are all having problems. We have spent billions of dollars on our smokestack industries. In the process, some new technologies were developed that might be useful to you. One of my big concerns is that we conduct ourselves to keep the economy going. The worst thing for Eastern Europe or Latin America would be for the U.S. economy to go in a tailspin. I don't think it will happen, but we can create problems all around the world because of the size of our economy. Some people here say to raise taxes, but to move funds from the private sector into the public sector is not efficient. Others say to cut the budget, cut the entitlements, but this is almost impossible politically. We want to keep our economy out of these dangers. We don't want to be like the spreader of a contagious disease. (S)

Minister Barcak: I worry about a similar situation from the other side. That's what the President meant about the Soviet Union. We are dependent on Soviet oil and gas. If something goes wrong there, there will be a strong impact on us. (S)

The President: You're dependent on the Soviets for all your energy? You don't have any brown coal of your own? (S)

Minister Barcak: Our oil and natural gas pipelines come only from the Soviet Union. We are now looking into alternatives. (S)

The President: This is a time when there is a surplus in world capacity. (S)

Mr. Zantovsky: Mr. President, another small point. We are aware of the great position of the U.S. press and would like some support for a free and independent press in Czechoslovakia. We have good young journalists who could use experience, know-how and equipment, and, if possible, exchanges of journalists. (U)

Secretary Baker: I mentioned that in my Prague speech and proposed an independent broadcasting and free speech fund. We will follow up on that. (U)

Ambassador Black: USIA is eager to help; and since your speech, Mr. Secretary, we have had more than 2,000 applications. (U)

The President: I have a list of journalists we'd like to export. (U)

-- End of Conversation --