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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Acting President Arpad Goncz of Hungary (U)

PARTICIPANTS: The President
The Vice President
Lawrence Eagleburger, Acting Secretary of State
Andrew Card, Assistant to the President and Deputy Chief of Staff
Robert D. Blackwill, Special Assistant to the President for European and Soviet Affairs
James F. Dobbins, Acting Assistant Secretary of State for European and Canadian Affairs
Robert L. Hutchings, Director for European Political Affairs, NSC Staff
Bulcsu Veress, Interpreter

Arpad Goncz, Acting President
Gabor Horvath, First Secretary, Ministry of Foreign Affairs

DATE, TIME May 18, 1990, 10:05 - 10:40 a.m.
AND PLACE: The Oval Office (U)

The President: You come at a fascinating time of change since my visit. There were dramatic changes then, and there have been even more dramatic ones since. (U)

President Goncz: I remain confident that we have already crossed the border to a new Hungary, with multiparty democracy. If I may assure you, my message is that the new Republic of Hungary, the new democratic Hungary, will be a reliable and calculable partner. (U)

The President: Let me assure you that we want to work with you on the economic front in every way we can. We have a good team, including former Deputy Secretary of State Whitehead as Chairman of the Enterprise Fund Board. We want to see more private investment and better trade relations. In addition to our governmental activities, we want to see as many leaders as possible from the American private sector to be involved. (U)

I would love to have you tell me how you, as a free thinker, see Soviet-U.S. relations. What should we consider as we deal at a difficult time with Gorbachev? I would like your advice. Let me put my cards on the table: I have great respect for Gorbachev, but Lithuania presents problems for me domestically. I have some concerns about the Soviet economy, but I want to move ahead on arms control. I want Gorbachev to succeed. (S)

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President Goncz: I believe, drawing from the experience of the historical process in my country, that the most important point is that half-reform is no reform. It simply goes like water down the drain. I fully understand and appreciate the position of the U.S. -- that you attach significance to preserving stability. But my opinion is that final stability will come only with the completion of the reforms in the Soviet Union. Therefore, slowing down the reform will not bring the final result we want, but rather the reverse. I personally attach great significance to Gorbachev's statesmanship as well as his intention to keep the Soviet Union together, but the tendencies are incalculable. (Z)

Therefore, if I may, Mr. President, suggest that in your foreign policy you look ahead two or three steps and not always search for stability in the present realities. Mr. Gorbachev could be promoted and reforms facilitated by a search for solutions which also mean the promotion of the Soviet reform process. I share your opinion regarding Lithuania. It is very difficult to identify a solution, because the domestic stability of the Soviet Union is far more important. But, Mr. President, you should be aware that if the U.S. won't side with the independence of Lithuania, then in the "intermediate regions" in Europe there will be greater suspicions concerning your intentions. There are three factors: the internal stability of the Soviet Union; the military might of the Soviet Union, whose strength is doubtful; and the economic situation, which demands aid and assistance. On the other hand, I feel the U.S. is pursuing the high ground position at the negotiating table. If you are interested, I could share with you my views on the impact of instability in the Soviet Union on East Central Europe. (Z)

The President: I am very interested. I would like to hear them. (U)

President Goncz: From such a resulting instability, there would follow economic and political instability in Czechoslovakia, Poland, and Hungary, because of our dependency on Soviet energy. The oil taps would stop. That is why we try to defend against this possibility by diversifying our international economic relations. However, changes are already irreversible in Hungary. It is crucially important that Soviet troops be withdrawn according to the agreed timetable, because those that left under the new international realities could not come back again. (Z)

The President: Are you worried that the Lithuanian situation could have an adverse effect on Hungary? (Z)

President Goncz: It is not the Lithuanian situation itself, but rather the emotional issue of Lithuania playing the role of a time bomb for the republics of the Soviet Union prior to the completion of the withdrawal of Soviet forces. Or, if there were a Soviet military takeover, the consequences would be incalculable. We have to take into account two factors. First, we shall need to elaborate and work out a Ukrainian policy. The U.S. will need to think about that, too. Second, if Moldavia

joined Romania, that would add a huge Ukrainian minority to the 2.5 million Hungarians already living in Romania. If Romania's campaign of homogenization continues, then we Hungarians shall have to fear an almost totally unbearable hotbed on our border to the east. (P)

The President: I think it important that we are all positioned in favor of the self-determination and independence of the Baltic States. However, we are trying to conduct ourselves in such a way that we do not inadvertently exacerbate a situation for Gorbachev that also has an impact on others. It is a difficult situation. (P)

President Goncz: I fully share your opinions, Mr. President. May I add that the U.S. probably will have to make a very clear statement that the Baltic States deserve the right of independence and that the Soviet Union should accept this in principle. In order to achieve their goals, the Baltic States could be encouraged to accept a transitional period that would last a couple of years. Of course, I am not impartial. If the loosening and disintegration of the Soviet Union is postponed, it will give us time to stabilize and consolidate our own position in Hungary. But the risk also has to be taken into account that trying to curtail a natural process of disintegration may also bring an explosion. (P)

The President: I don't think we can get into that. We do not have much leverage. (P)

President Goncz: Maybe, Mr. President, if the U.S. would take part in providing manifold assistance to Gorbachev in easing his consumption and supply problems, that probably will give him time to solve the problem of Lithuania. So my counsel is economic assistance, along with a strong American position on behalf of the independence of Lithuania and the other Baltic countries. (P)

The President: Herein lies the dilemma. It is a chicken and egg problem. To help the Soviet economy, two things must happen: first, demonstrable economic reform, and, second, a visible solution to the Lithuanian question. Because if the Lithuanian conflict is still at a boil, our Congress will be unwilling to take steps to help the Soviet economy. I want to see a solution. This means that negotiations between President Landsbergis and Gorbachev must go forward toward freedom, but in which minority rights are observed. I was encouraged yesterday by the meeting between Prime Minister Prunskiene and Gorbachev. Baker is seeing Gorbachev today and will stress that there must be a defusing of the Baltic problem for there to be U.S. enthusiasm to help. Then there have to be steps toward reform; otherwise, U.S. help will go down the drain. Hungary is way ahead in this regard. You understand how markets work, but they are back in the dark ages. (P)

President Goncz: I am very much afraid that all the money given to the Soviet Union is, in an economic sense, money down the

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drain. But I am not sure that is true in a political sense. I am not sure it is a waste if we can gain from it. With this argument you cannot convince Congress, however. I would like to add that the process will also involve risk. (S)

The President: Risk in what way? (O)

President Goncz: Risk should be taken for future objectives, rather than to preserve the status quo. It is probably very important to ask who is the next man in the Soviet Union to carry the process forward, and also which countries on the periphery. (S)

The President: I just want to be sure that the next man wants to go forward, not backward. The process in the Soviet Union has a certain dynamic, but in the short term there could be a backlash -- in Lithuania, as there was in Budapest. We are running out of time, but I want to make one point on troops. I want to see all troops out of everywhere they are not wanted as soon as possible. All Soviet troops should go out of Hungary as soon as possible. Havel -- your friend and my new friend -- made the point that the Soviet Union has problems housing these troops, and I understand that. I think that post-unification Europe is best served by the U.S. remaining involved -- with troops. But if they are not wanted, they would come home. They'd be out. What worries me is that the longer the Soviet Union stays, the more they will say, "Okay, we'll go out if you go out." Free countries have to help us avoid that linkage. I will do my best to convince Gorbachev that U.S. troops in Europe are not a threat to Soviet security but rather a guarantee of stability; but if we link U.S. troops that are wanted with Soviet troops that are not wanted, it will be a dangerous situation. (S)

President Goncz: We are in full agreement, Mr. President. Taking account that Hungary and Czechoslovakia have timetables for the withdrawal of Soviet troops, one of my aims is to request your assistance in urging Mr. Gorbachev to keep these deadlines. But I agree they cannot be linked to U.S. troops. (S)

The President: I will do that. I will take your advice. I wish we had four hours to talk. I enjoyed your visit and have great respect for you and your country. (O)

-- End of Conversation --

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