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THE WHITE HOUSE
WASHINGTON

8373 Add-on

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Jozsef Antall
of Hungary (U)

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
Nicholas Brady, Secretary of Treasury
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for
National Security Affairs
Robert M. Gates, Assistant to the President and
Deputy for National Security Affairs
David C. Gompert, Special Assistant to the
President for European and Soviet Affairs
Charles Thomas, Ambassador to Hungary
Robert L. Hutchings, Director for European
Political Affairs
Curtis Kamman, Deputy Assistant Secretary of State
for European and Canadian Affairs
Laszlo Szimonisz, Interpreter

Jozsef Antall, Prime Minister
Geza Jeszensky, Foreign Minister
Bela Kadar, Minister of International Economic
Relations
Peter Zwack, Ambassador to the U.S.
Gyorgy Matolcsy, State Secretary, Office of the
Prime Minister
Gyula Kodolanyi, Adviser to the Prime Minister
Pal Tar, Adviser to the Prime Minister
Istvan Forrai, Director of the Prime Minister's
Office
Interpreter

DATE, TIME October 18, 1990, 11:43 - 12:02 p.m.
AND PLACE: The Cabinet Room

The President: Mr. Prime Minister, I wanted, in the time remaining, to welcome you and the other members of your delegation. It may seem that we are preoccupied with the Gulf situation, but we remain committed to the process of democratic change in your country. You will have a chance to talk with the Secretaries of State and Treasury, and you and I will have more private time tonight. Now let me turn the mike over to you. (U)

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I told the Prime Minister that I hope you felt the warmth here. When Bar and I were in Budapest, particularly when we arrived in the rain, it made a lasting impression on us. (U)

Prime Minister Antall: Thank you, Mr. President, for your words. I think the American and Hungarian peoples have sympathy for each other. Your visit contributed to that. So has this reception. However, let me raise something that represents a problem for the Hungarian people and others in central Europe. There was a certain naivete about the collapse of the Communist system. People did not see that it would take a long time to achieve a higher standard of living. This applies to the Hungarian people in particular, because they could travel and see the conditions in neighboring countries. Now they are depressed and indifferent. They think there will be no quick increase in living standards. It is true that there has been a decline in living standards, but we are taking measures to transform the economy. There have also been unexpected events, which you have already listed in your remarks. This applies to the entire region. (Ø)

Let me just add a few more sentences. We have taken quick measures toward a market economy, encouraging privatization and a liberalization in economic life. This needs to be accelerated, yet we have had first to establish an appropriate system of institutions. We need more managers and greater knowledge of market economies. 1990 was a successful financial year for our balance of trade and balance of payments. But we also have a tightening economy and a decline in Soviet and CEMA exports. If we bear in mind all the factors you, Mr. President, were kind enough to list, not to mention the costs in connection with the withdrawal of Soviet troops, we would need \$4 billion to sustain and operate our economy -- of which we can raise only half. We will need to rely on aid and long-term loans. Another thing of great importance is foreign capital, including U.S., which gives political signals about your support. It is extremely important for us that assistance given the Soviet Union be connected with Hungary's commodity purchases. It is perhaps indispensable that an IMF agreement covering three years be concluded as soon as possible. We would like your kind assistance in that regard. You have mentioned the impact of the energy crisis. An important part is played by the energy dependence of the former Communist countries. The old infrastructure also contributed to a wasting of energy and raw materials, because of obsolete machinery. I am talking not only about us but about the whole region. These countries have two to three times the energy usage as the rest of Europe and America. (Ø)

We think of ourselves as a kind of model for the region, because we have always been at the forefront of political developments and economic reform. If we fail, it will be a signal to the whole region, This would lead to a loss of hope and strengthen negative factors domestically. For this region as a whole, there is a growing potential for unrest. There are revived national tensions in Czechoslovakia, between Czechs and Slovaks. In

Yugoslavia, not even civil war can be excluded. We have talked about this, Mr. President, already. Hungary, which is stable and homogeneous, can be a model for the region as a whole. (C)

In conclusion, let me say that European integration is important to us. We believe we have a relatively good chance in our negotiations with the EEC and the EFTA, yet we are not turning against the Atlantic idea. Therefore I was the first to visit NATO and to assign an ambassador there. (C)

The President: Thank you. Jim? (U)

Secretary Baker: We will have the opportunity to continue talking over our working lunch. (U)

The President: Nick? A lot of this is under your portfolio. (U)

Secretary Brady: We will be meeting at 2:30. (U)

The President: We did discuss multilateral assistance through the IMF and World Bank. We will find ways to help. Your economic success is essential to us. We don't want the clock turned back. You know the constraints we have, but I am sure we can find ways to demonstrate our support. (U)

-- End of Conversation --