

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Federal Leaders (U)

PARTICIPANTS: The President
 John H. Sununu, Chief of Staff
 Brent Scowcroft, Assistant to the President
 for National Security Affairs
 Shirley Temple Black, Ambassador to
 Czechoslovakia
 Robert Hutchings, Director for European
 Political Affairs, NSC Staff
 Lisa Valyiova, Interpreter

Marian Calfa, Prime Minister
 Jiri Dienstbier, Foreign Minister
 Emilian Vosicky, Member of the Federal
 Assembly
 Ivan Prusa, Member of the Federal Assembly
 Alexandra Brabcova, Interpreter

DATE, TIME November 17, 1990, 10:45 - 11:00 a.m.
 AND PLACE: Hradcany Castle, Prague

The President: I am very pleased to have the chance to talk with you. I covered a lot of economic issues with your President, but I want to hear from you. I view this as an historic visit, the first by an American President. I can't think of a more interesting or exciting time to be here. We want to find ways in which to widen our cooperation with Czechoslovakia. If you have any subjects you would like to raise, please raise them. (U)

Prime Minister Calfa: Mr. President, we are very pleased to have you here. We are committed to market economic reform; there is no "third way." We are proceeding in a direct line to a market economy and a direct line to private property relations. That is our basic philosophy, to which we will adhere. The second thing: we have been very strongly dependent historically on the Soviet Union. The Soviet Union behaves in a way that could be defined as economic aggression. Deliveries of crude oil, on which our trade relationship is dependent, are being cut, and there are no other transportation routes. We are working very fast on substitute transport routes from Austria and Germany, but it is a question of one year at a minimum. Our task is to survive this year. We are not being helped by the situation in the Arab world. Because we joined the embargo, we are losing \$3.5 billion. We would appreciate the influence of the U.S. in Saudi Arabia. We are strengthening relations with the Saudis, but this is one area where you could help a lot. Another matter:

Czechoslovakia is very strongly inclined toward the IMF and World Bank. We have renewed our membership and would very much like to have the positive voice of the U.S. as far as Czechoslovakia is concerned. (S)

The President: They have heard our voice and will continue to hear it. We have had talks -- I have had personal talks with the head of the World Bank -- intervening and encouraging them to do as much as they can. The IMF has allocated some \$5 billion; I am not sure how much will come to you. On the oil question, I don't think the Soviet Union is trying to subject you to political retribution. I think they have enormous economic problems. We are trying to help them. The Gulf situation is the major culprit. Although there is not a shortage of oil, there is enormous speculation that there is, and higher prices are driving a lot of countries to their knees. The price ought to be about \$23 a barrel, but it ranges from \$32 to \$40. The reason the price is so high is speculation that there will be a war, which would cut off supplies. This is simplistic. In our judgment, we have enough force to assure the security of Saudi Arabia. Even if there were a preemptive strike, we think it would fail, and it could not shut down Saudi fields for any length of time. (S)

Prime Minister Calfa: That is very interesting. We would like to have gone into this with a surplus. Czechoslovakia has been supplying goods to Soviet markets, which paid for our oil. The problem now is to pay for oil from others. We have to excite the entrepreneurial activists to meet the demands of markets at high levels. We have to make the economy take off toward becoming once again a modern industrial country. The second point is that we would very much like to get it in the minds of the U.S. side how to emphasize the momentum of the entrepreneurial side. We are in favor of an American fund to help us make this transition. (S)

The President: How is your legislation coming to facilitate private investment? We are for this approach, but to maximize entrepreneurial fervor, you need legal changes to facilitate the private sector. (S)

-- End of Conversation --