

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Havel of Czechoslovakia (U)

PARTICIPANTS: The President
 Brent Scowcroft, Assistant to the President for National Security Affairs
 Lisa Valyiova, Interpreter

Vaclav Havel, President
 Alexander Vondra, Foreign Affairs Advisor to the President
 Alexandra Brabcova, Interpreter

DATE, TIME: November 17, 1990, 9:40 - 9:55 a.m.
 AND PLACE: Hradcany Castle, Prague

The President: This is a spectacular palace. (U)

President Havel: It was one of the biggest seats of power in the world. I would like to welcome you most cordially. Your visit is a great encouragement to our people. You saw how they welcomed you. That was not organized. (U)

The President: I liked that. In Pakistan, when I visited as Vice President, they turned them out. They didn't know who this Vice President was. (U)

President Havel: This is a significant visit in itself, but we can also have serious discussions. (U)

The President: I am increasingly worried about the Middle East, our embassy in Kuwait, etc. The oil price is pushing us into a recession, is devastating the Third World, and I am sure is hurting you. We hope to resolve it peacefully. We are moving large forces there to convince him to get out. I hope it works. (C)

President Havel: We are sending a small unit to demonstrate our support. You have kindly agreed to provide transport. The previous regime had deep relations with Iraq. We have about \$1 billion in frozen assets there. We are in bad shape for oil. Soviet deliveries are down significantly. We are in a difficult situation, like Hungary and Poland, because of the transition to a demand from a command economy. (C)

The President: Is it getting worse? (U)

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President Havel: It is deteriorating and will get worse. We will free prices early next year, and that will be very unsettling. Some sort of aid will be essential, though we did not want that. Destabilization is possible, because our democracy is fragile. We mostly want aid from the international financial institutions. (S)

The President: There is a big IMF and World Bank program for Eastern Europe -- more than \$7 billion. I am not sure how it breaks out. (U)

President Havel: We are members of the IMF and would expect help also from the EC. Our situation is complicated by problems hidden by the old regime which are now in the open, like our federal problem. (S)

The President: Can you discuss these problems now openly and calmly? (S)

President Havel: I can't say that most problems are solved, but they are being solved. There was a good agreement reached last week between the national and federal structures. I am encouraged, but the situation is not easy because all these problems come at once. We need hundreds of laws, and parliament is overloaded. (S)

The President: Is there anything we can do? It looks like an internal matter, but I will be talking with the national leaders. (S)

President Havel: It would help a lot if you would talk about the U.S. experience and say that some functions must be reserved for the central government, even though most responsibilities are shifted down to the national ones. Most of our people want to live in a common state. The existence of the state is not at stake, just the allocation of powers. It would be easier to start from scratch than to unravel this jumble. (S)

The President: Gorbachev is having similar and terrible problems. It is important for the national leaders to know that there must be central government just to preserve stability. In the Soviet Union, our businessmen don't know with whom to invest. (S)

President Havel: Yes. Our system is in no way as difficult as in the Soviet Union. In your discussions, all the leaders you will meet are my friends, in whom I have confidence. You can speak frankly with them. (S)

The President: Good. (U)

-- End of Conversation --

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