

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

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

PARTICIPANTS: The President  
 Lawrence Eagleburger, Acting Secretary of State  
 Brent Scowcroft, Assistant to the President for National Security Affairs  
 James F. Dobbins, Acting Assistant of State for European and Canadian Affairs  
 Robert L. Hutchings, Director for European Political Affairs  
 Laszlo Szimonisz, Interpreter

Arpad Goncz, President  
 Eniko Bollobas, Charge d'Affaires, Hungarian Embassy  
 Bela Szombaty, Interpreter

DATE, TIME AND PLACE: May 23, 1991, 10:07 - 10:35 a.m.  
 The Oval Office

The President: Welcome back to the White House. I know the problems you are facing. We have set eastern Europe as a priority and want to help in any way we can. But I am anxious to hear from you about how things are going. (U)

President Goncz: The problems of the ethnic minorities in Yugoslavia, the Soviet Union and Czechoslovakia make it hard for us. We have no national minority, only economic problems, but these ethnic problems in the region are damaging for us because foreign capital doesn't want to come in. (Ø)

The President: It's unfair, because in many respects you have been out front in economic and political reform. We see the differences, and maybe we can make them clearer to potential investors. (U)

Mr. Eagleburger: We are trying. It is a problem, but I think we can succeed. (U)

President Goncz: Another problem is our over-production in agriculture. The Soviet Union cannot pay and we can't export to the West because the markets of the EC are closed. (U)

The President: Is Western Europe raising protectionism? (U)

President Goncz: Oh, yes. (U)

The President: Will a successful GATT Round help? (U)

President Goncz: I hope so. Also, if you are giving credits to the Soviet Union, part of their purchases should come from Hungary. It is very important. (U)

Mr. Eagleburger: We are trying to get Western Europe to be more open to your products. (Ø)

The President: How? (Ø)

Mr. Eagleburger: We are banging on them and talking to them, mainly. We are also hoping we can do more ourselves and then get the Europeans to do more. (Ø)

The President: This is on a slightly different subject. How is that GE-Tungsram deal going? (U)

President Goncz: Now there is an infight between the two biggest American investors, GE and United Technologies, about plant equipment. It seems the winner will be GE. We are trying to develop our R&D because I worry about the brain drain. We are also concerned about a central European security vacuum. We don't feel threatened militarily, but Hungary's eastern border is undefended. We have no air defense system. It seems that the problem of all three central European countries is the same. I think it could be possible, without joining NATO, to integrate an air defense system. (Ø)

The President: Are the Soviet troops out yet? (Ø)

President Goncz: They will be by the end of June. (Ø)

The President: It has worked well. They kept their agreement. (Ø)

President Goncz: I saw a danger a few weeks ago regarding the new security agreement they wanted us to sign. They are very suspicious. They see the image of the enemy in NATO, and they worry about any contact we have with Poland and Czechoslovakia. We don't want a buffer zone, just cooperation among the three of us. Besides, we shouldn't compete to see who becomes the first to join the EC. (Ø)

The President: Let me ask you a hypothetical question. If the Soviet Union some day permits Baltic independence and perhaps shrinks some more, would that be beneficial to you? (Ø)

President Goncz: I think so. I don't know what kind of formation will emerge, but it will be a great power, and in one or two generations will try again to establish influence. That gives us some breathing space. In that time, we have to

integrate the Soviet Union into Europe, so that we don't once again become border lands of Europe. (Ø)

The President: Let me ask you another question, less hypothetical. Gorbachev wants to attend the G-7 summit. No decision has been taken by us or the others. My question is: if he attended, would it be good or bad for Hungary and central Europe, or doesn't it matter? (Ø)

President Goncz: It is neutral, I think. He would have only one aim, and that is to get Western help. (Ø)

The President: Right. Wouldn't Hungarians say they are helping Gorbachev but not us? (Ø)

President Goncz: We are not against helping Gorbachev, but he is not the end product of this process. Gorbachev is a genius at politics, though not always at tactics. But if you help the Soviet Union reform it is good for the world, because I think the process toward democracy is irreversible. (Ø)

The President: Of course, we are restricted by our budget in our ability to help. We would like to help, but there is no guarantee that it will make a difference unless there is visible and genuine reform. But I was interested in your answer, which was broad-gauged and statesmanlike. (Ø)

President Goncz: It is a political question, not an economic one, in my opinion. (U)

The President: I think you are right, and that concerns us. It is interesting: Yeltsin articulates much of what we want -- in Cuba, Afghanistan and the Baltic states -- but then we keep hearing that we should be careful about him, that he may be a demagogue. How do you see him? (Ø)

President Goncz: I met Gorbachev after the summit meeting with you. He was very nice and enthusiastic and had very positive things to say about you. I haven't met Yeltsin. I have heard a lot about him and have the impression he is irresponsible, but I haven't met him myself. One thing is sure: Gorbachev is a magician in politics, but Yeltsin is very daring and his team is much better. Gorbachev will have to catch up, because Yeltsin is quicker. (Ø)

The President: Very candidly, Gorbachev doesn't have the vaguest idea of economic reform. He is trying to learn, but you are right that Yeltsin may be ahead. (Ø)

President Goncz: There is some hope about the future of the Soviet Union in light of the Gorbachev-Yeltsin discussion. There is no doubt that these two are the most important figures. But there are dangerous developments. Two months ago, one of our border guards heard noises of a skirmish across the border. It turned out that soldiers from different ethnic origins shot each other, leaving more than 40 dead. I wonder how many such

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incidents are happening elsewhere in the Soviet Union. In the Ukraine they want their own army and are stamping "U" on ruble notes. (Ø)

The President: It is happening all over. (U)

President Goncz: Absolute sovereignty is not possible for the Ukraine. In the end I think they will form some new confederation. It seems the only way out. (Ø)

The President: This has been most interesting. I am sorry to have to cut our conversation short. I value your judgment and found this fascinating. Let me assure you again on the investment front. We are going to make it -- Hungary and the U.S. together -- to ensure your democracy succeeds. (U)

President Goncz: Thank you very much for your understanding and your help for Hungary. (U)

-- End of Conversation --

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