

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Vaclav Havel, President of
Czechoslovakia

PARTICIPANTS: The President
The Vice President
Lawrence S. Eagleburger, Acting Secretary of
State
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
Shirley Temple Black, Ambassador to
Czechoslovakia
David C. Gompert, Special Assistant to the
President for European and Soviet Affairs
Thomas Niles, Assistant Secretary of State
for European and Canadian Affairs
Robert L. Hutchings, Director for European
Affairs (Notetaker)
Lisa Valyiova, Interpreter

Vaclav Havel, President
Jiri Dienstbier, Foreign Minister
Vaclav Klaus, Finance Minister
Vladimir Dlouhy, Minister of the Economy
Rita Klimova, Ambassador to the U.S.
Pavel Demes, Minister of International
Relations of the Slovak Republic
Alexandr Vondra, Security Advisor to the
President
Michael Zantovsky, Presidential Press
Spokesman
Alexandra Brabcova, Interpreter

DATE, TIME October 22, 1991, 10:55 - 11:50 a.m.
AND PLACE: Cabinet Room

The President: Mr. President, welcome. I apologize to the rest of you for having taken so much time in the other room. We have about 45 minutes to continue our talks here. Tonight we will have some more time to follow up our discussions. One subject we discussed was our hope for a Middle East peace conference. Acting Secretary Eagleburger can take any questions you might have. We went over some other topics and one of them I would like to raise here. Without delving into your internal affairs,

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we are keenly interested in your views on Czech/Slovak tensions.
(S)

President Havel: Thank you, Mr. President. I shall be happy to give you my thoughts. First, when viewed from a distance, it always appears worse. If I leave for a few days, my hair stands on end. But when I come home, I find things are not so bad after all. The situation is such that Czechoslovakia has three alternatives: to continue as a federal state, even if a more democratic one; second, and much less likely, to split through a constitutional and democratic process into two states; and third, worst of all, to live in a state of dual laws, a chaos of laws, in which we have neither one nor two states. (S)

All of us are doing all we can to prevent the third alternative. Our objective is to adhere to constitutional and democratic practices. That is why I proposed as long ago as last year a referendum, which would be the constitutional way for citizens to express their views. I am certain that a referendum would come out in favor of a single state. Perhaps that is why certain Slovak politicians don't want it. Czech and Slovak politicians are now negotiating at Stirin, the home of the Institute for East-West Security Studies, on a treaty between the two republics. It is a kind of project for a common state, and a basis for a common constitution. (S)

Only one political party advocates an independent state. All others are in favor of a common state. The problem is they want to have maximum autonomy for the republics, and the Czech side believes that at a certain point the state would cease to function. If a treaty is concluded, it will open the way to completion of the draft of the constitution by spring of next year. (S)

I don't underestimate the problem, but in my opinion the situation is not as grave as when viewed from abroad. On my behalf, and that of my government, I favor federation, but do not want to impose this. Citizens have a right to decide what kind of state they wish to live in. We are promoting a federal solution through constitutional and legal methods. We shall never use power methods to impose it. (S)

The President: We recognize this is an internal matter, but we hope the first alternative prevails. We've been talking here and are prepared to upgrade our consulate in Bratislava to a consulate general. We hope that this will strengthen contacts with Slovakia and be symbolically helpful as well. I wanted to be sure you are comfortable with that. (S)

President Havel: We welcome your intention regarding the consulate. It is our obligation to repeat everywhere that Czechoslovakia consists of two republics and is a federal state. The problem is that for decades the Slovak people lived in the shadow of the Czechs. Everything that contributes to their international identity is beneficial. Our opinion is that the second alternative, division into two states, would not be

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beneficial for any citizen of Czechoslovakia. It would slow down, or even freeze, the economic reform. Unemployment would rise and there would be an advance of undemocratic forces. State borders would become problematic, and this could lead to the destabilization of the European situation in general. History teaches that Europe's history is always entangled in our country for reasons of geography. (S)

I should like to raise two other subjects to which you referred. The first is the progress of our economic reform. When we visited the last time, I was surrounded by these same ministers, who were all part of one anti-totalitarian movement. Now each is head of a different political party. This marks the crystallization of democracy, though I must admit it makes my life more complicated. Last time I referred to Czechoslovakia's intention to accomplish a radical transformation. Now, one and a half years later, that intention has become reality. The transformation is underway at full speed. Soon we will complete the small-scale privatization, and the large-scale privatization is being set in motion. (C)

I ask that the opportunity be given to the finance minister to present to you a coupon book. Through this, all citizens have the opportunity to obtain stock. This is a non-traditional method, but we had to do it because of the condition of our savings. The standard method of privatization would have taken 60 years, because 97% of our industry is state-owned. (C)

The President: How does it work? What does the coupon entitle you to? (U)

President Havel: Every citizen can buy the book at stores or post offices. The book contains a certain number of investment points, which entitle the citizen to bid on the stock market for shares without having to pay, because our savings do not suffice. It is sort of a socialist element, though Minister Klaus obviously disagrees. As a member of a right-wing party, he is bound to disagree. This does not mean that all state property would be given away. Minister Klaus is better qualified than I on this matter if you wish more detail. (C)

As to the economic transformation, let me make one more point. We have had an immense sales crisis since the artificial system of Comecon collapsed. That is why we are seeking facilitation of exports to foreign countries, especially the west. We are negotiating an association agreement with the EC and hope it will be concluded in November. I am grateful that you, Mr. President, have lifted certain limits and quotas. We can now export more of our textiles. Should more be lifted, we would welcome that. I also thank you for your generous assistance in the technical area and through the IMF, World Bank and G-24. I am confident that we will find understanding from the U.S. regarding the GATT Round. We need support for recognition of our customs tariff. So much for the economic situation. (C)

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The second subject concerns the international position of my country. So that I do not speak alone, perhaps you, Mr. President, could outline your view of the present security situation of Europe and give us your ideas or perhaps ask questions, so that I do not speak too much. (S)

The President: That is agreeable to me. Let me make a couple of comments and see if anyone wants to add anything on our side. Mr. Eagleburger and General Scowcroft are following these issues very closely. First, I appreciated the positive response from Czechoslovakia, Poland and Hungary to the Baker-Genscher statement and also your strong endorsement of NATO and the U.S. presence. There is a lot of speculation about the U.S. role. Our view is that the best security arrangement for all, including us, is a strong U.S. presence through NATO. There is a debate going on as we prepare for the NATO Summit in Rome. We hope we will come out with a clarifying position that reinforces the importance of NATO. (S)

My speech in Prague last year was the first time we had extended the Atlantic idea to central Europe. We have now developed a vision of a Euro-Atlantic community, of which the Czech and Slovak Federal Republic is, of course, a member. We want to be understanding of your view of security, but we think a direct military threat is much less than it was before. The dangers we see come from ethnic conflict, economic upheaval, and regional instability. It is those we want to help you address, while making clear our commitment to your independence. We feel the same way about Poland and Hungary. (S)

We worry that, at some point, some European countries may say they would like the U.S. to go home. If so, many people here would say fine, let's come home. As long as I am here, and our team is here, we will resist those pressures. There will be no isolationism. We want to be involved -- not in a heavy-handed way, but as an element of stability and security. I worry a bit about French opinion and German opinion, where we may hear suggestions that the U.S. leave. We think it is in Czechoslovakia's security interests that we stay. Brent? (S)

General Scowcroft: Mr. President, the issue is the nature of the growing European community as it relates to NATO. It is a delicate process. Relations between Czechoslovakia and NATO are part of that debate. We are interested in close relations, but there is a debate over how to expand and how fast. This is caught up in the question of Europe and its relation to NATO and the European defense system. (S)

President Havel: I would make a few remarks. Czechoslovakia is convinced that the U.S. should be present in Europe, even if for other reasons than was the case ten years ago. We believe in the trans-atlantic dimension, not only in the security field, but also the civilizational ties between our continents. No matter how the future develops in Europe, it is hard to imagine its being shaped separately from the U.S. -- the more so because of the traumatic and stormy developments in the Soviet Union. (S)

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Our security policy places emphasis on two things principally. What's going on in Yugoslavia shows how important they are. First, we support the increased flexibility and continued institutionalization of the CSCE in the direction of peace-keeping. We see the possibility of a future pan-European security system. The pillar of this vision and its guarantee is certainly constituted by the North Atlantic Alliance. We just had a meeting in Krakow in which we warmly welcomed the initiative by Secretary Baker and Foreign Minister Genscher. We would like some sort of institutionalization of relations with NATO and would accept some form of associate membership. We would welcome it if NATO could use its forces not only among its member states -- for example if it had a request by an associate member for its forces to be used outside NATO. I have in mind peacekeeping efforts should national animosities break out. Developments in Yugoslavia indicate how important it would be to have some peacekeeping forces in Europe, be it from NATO or the CSCE, because without resolute action there is a danger that the war there could be protracted over ten years. (S)

As far as France is concerned, I have written a letter to President Mitterrand in which I tried to explain, before the November summit of NATO, how important it would be for Europe as a whole if NATO opened itself more toward the newly-established democracies of central and eastern Europe. At the same time, I explained that the presence of the U.S. was not in contravention to his idea of a confederal Europe. On the contrary, it is the guarantor of European integration, not something that runs counter to it. (S)

The President: We share your concerns regarding Yugoslavia. We worry that we may see even greater violence. Some have called for early recognition of Slovenia and Croatia, but we didn't support that, because recognition should come only as a result of agreement among the parties concerned. We also worry that this might escalate the violence. We have been working closely with the EC. We have not been out front on this, as I mentioned in the Oval Office, because we thought it important for the EC to take the lead. On the overall picture, I think we will have a successful NATO meeting, which will define NATO's role to the satisfaction of the new democracies in eastern Europe. (S)

Acting Secretary Eagleburger: I am not sure it will go so far as associate status, but we do want to find ways to expand the relationship and dialogue between NATO and the central and east European countries. (S)

The President: I think they need assurance of U.S. participation and of NATO's being in the forefront of European security. I hope the meeting will put some other ideas, such as the Kohl-Mitterrand statement, into perspective. There may be some uncertainty in Europe on these questions. I think we can clarify that. (S)

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Let me raise another question. We talked about trade and investment in the other room. I might make a few comments on our side. We are taking certain steps: exempting you from Jackson-Vanik, extending permanent MFN, and opening our markets. I appreciate your comments on that. We also want a successful Uruguay Round, and I am a little more optimistic on that, though agriculture is still the hang-up. We want to continue to support trade and investment missions, and I hope the OPIC mission led by Fred Zeder will prove helpful. Larry is very high on OPIC, which can be as helpful as any institution on these issues. We are urging the EC to open its markets to your products. They should be doing more. Free trade, markets, investment -- these are the real answers to your economic problems. It will take time. (S)

Acting Secretary Eagleburger: Mr. President, the Enterprise Fund is just getting started. I hope it will be as successful as our Funds in Poland and Hungary. We've done a good bit in the area of technical assistance and privatization. One thing to emphasize is that investment will flow if conditions in the country encourage it to flow. Frankly, you are competing with Poland and Hungary for investment. It is important, therefore, that Czechoslovakia provide a climate as attractive as possible. (S)

President Havel: As a footnote, I would add two remarks. Our whole legal system is being rebuilt. We are the first ones to want all of the legislation completed. Let me also say that the Germans, who are close to us, are able to overcome the first shock of legal uncertainty. They are coming in strong. 85% of all new foreign investment is coming from Germany. So it is not only for us to proceed fast; other partners need to show more courage. If there are any specific obstacles, Minister Klaus might explain that the situation is not so difficult. (S)

Second is the issue of defense conversion, which the President and I discussed by phone. I am grateful that he took an interest in this and grateful that Secretary Atwood came to Czechoslovakia. It is extremely important. Czechoslovakia used to be the arms factory of the Warsaw Pact. Because of our policy, we don't want to export to terrorist states or to crisis areas, but this change cannot take place overnight. It is complicated, and it makes Czech/Slovak differences more difficult. The problem affects whole regions where there are no alternative job opportunities. Therefore, I hope the United States will continue to take an interest in this. We would welcome it if COCOM limitations were lifted. Mr. Dlouhy, who deals with this issue, has a list of companies and production schedules, but without foreign investment, it will be a protracted process. That is why I raised it with you. (S)

The President: Atwood briefed me on his trip right in this room. While the private sector is key, we want to continue working with you. We understand the tremendous challenge this is. We can provide technical assistance and encourage more private interest. If Minister Dlouhy has a list of specific projects, we can focus on that while you are here. You have impressed on me the

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importance of the issue, and I want to assure you of our cooperation. (S)

We are close to our time limit. We didn't come to the Soviet Union. I think Secretary Eagleburger can fill you in at lunch, but I would benefit from your views. I think we could learn more from you about this than you from us. Let me just say a few words. We are working with Gorbachev, but also with Yeltsin. For example, on our arms proposal, we talked to both. We are not picking winners and losers in this. We are simply talking to those in authority. We are very concerned about nuclear weapons safety -- security for the weapons in place and disposing of those systems all agree are no longer needed. That argues for some clear understanding between the republics and the center. That's a quick overview. I would love to have your views. They would be very beneficial to me. (S)

President Havel: I intend to pursue the matter with Secretary Eagleburger over lunch, and perhaps we can discuss it during dinner. To be brief, I will make one remark only. I have observed a certain situation after the latest developments in which the attention of the whole world, including the U.S., has focused on the Soviet Union and what its future will be. That is more than understandable. But let me point out that it is not advisable to overlook or forget central and eastern Europe, for one reason: our countries are sort of a window to the Soviet Union which makes it possible to see them. We are more understandable to the West, and we are a certain laboratory for their reforms. For example, the huge advance of democratic forces during the coup -- as I was told by many people -- was inspired by our democratic revolution the year before. I do not want to give a detailed analysis now, but when we -- Poland, Hungary and Czechoslovakia -- call for assistance, it is not only for the sake of our particular interests, but also because of an awareness that we are part of a medium through which you can understand. (S)

The President: This is precisely why we are keeping your assistance separate from aid to the Soviet Union. I have a last point which maybe we could discuss tonight. What is in Czechoslovakia's best interests: a bunch of independent countries, a loose federation, or a tight central system? (S)

President Havel: I believe that for Czechoslovakia, the best alternative is the one which secures the fastest progress toward democracy, stability and a market economy. It seems like that is most likely to come through a loose union, some sort of commonwealth. The empire has been an artificial one. It is the last colonial empire and is bound to disintegrate. It should be peaceful, without civil war and done in a democratic manner. It is likely this will develop in interim stages: maybe a confederation within a year and a half, then a union of independent states in the next two years based on contractual relations only. Maintaining the center at any cost is against the long term tendencies. (S)

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The President: Will Gorbachev make it? Next year when we meet, will he still be there? ~~(S)~~

President Havel: He is a politician with great capacity for adaptation, capable of changing his views very fast. Even if his political assets are decreasing, it is not the end of his career. ~~(S)~~

The President: I think we agree. He has been very good to work with. Clearly his power is diminished, but is hard to count him out. ~~(S)~~

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