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THE WHITE HOUSE

MEMORANDUM OF CONVERSATION WASHINGTON

SUBJECT: Meeting with President Vaclav Havel of
Czechoslovakia (U)

PARTICIPANTS: The President
James A. Baker, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs
Andrew Card, Assistant to the President and
Deputy Special Assistant
Raymond G.H. Seitz, Assistant Secretary of
State for European and Canadian Affairs
Robert L. Hutchings, Director for European
Political Affairs, NSC Staff
L. Valyiova, Interpreter

Vaclav Havel, President
Jiri Dienstbier, Foreign Minister
Karel Schwarzenberg, Advisor to the President
Alexander Vondra, Security Advisor to the
President
Michael Zantovsky, Press Spokesman

DATE, TIME September 30, 1990, 6:00 - 6:20 p.m.
AND PLACE: Waldorf Astoria Hotel, New York

The President: I apologize for changing the schedule, but I had to go back to Washington. I want to talk about whatever you want to raise. (U)

President Havel: Since we met the last time, many things have happened, both good and bad. First, the good: we have had democratic elections and now have a democratic parliament and government. After many months, we have a government scenario for economic reform. In a few weeks there will be the first, small privatization followed by a major privatization. As of January 1, there will be a liberalization of prices. That's the good news. Now for the bad news: this crucial moment came at a time of very unfavorable conditions from the international point of view. For decades our economy has been dependent on the Soviet Union for oil and other raw materials. Our whole industry is based on this. The Soviet Union is reducing its deliveries of oil and does not uphold existing contracts. The reason is not ill will but the disintegration of the Soviet Union. The GDR market is collapsing in connection with German unification. We could get \$1 billion in oil from Iraq -- they owe it to us -- but we won't. We were among the first to join the sanctions. We want actively to participate in the blockade, if only in a symbolic way. (C)

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In this situation we are looking for a certain kind of assistance. We have asked for a standby loan from the EC and are also seeking favorable credits to buy oil. I know that the project to provide assistance to Eastern Europe is being discussed in Congress. We would be happy for a successful conclusion to that discussion. We are attempting to negotiate to trade goods for oil, but we are short of cash and in most cases can only get oil for cash. To sum up, this major transformation of our country is being complicated, if not threatened, by these external factors. That is my report on the state of our nation.

(C)

The President: Let me respond. First, we understand your sacrifice in being among the first to join the embargo. We appreciate your understanding and support. I am encouraging all the leaders I see to enforce the sanctions. I am very pleased, and I know the sacrifice you are making. We want the international financial institutions, especially the IMF, to take the lead in helping the countries hardest hit. We are working with Congress to extend to Czechoslovakia some of the programs we now have with Poland and Hungary. We talked the last time about a bilateral investment treaty. I hope you can facilitate this on your side and provide the best possible investment conditions for U.S. investors. I am glad about what you said regarding Soviet intentions. They are under very difficult circumstances. We want to help as best we can. (C)

On a smaller note, unrelated to economic assistance, we are lifting the travel restrictions on Czechoslovak diplomats. That will facilitate contacts between our countries. Have I left out anything, Jim? (C)

Secretary Baker: You mentioned the package of assistance. Some of that will be available for Czechoslovakia. (C)

The President: I am sorry that standing up against Iraq is causing such hardship. There is plenty of oil, but market speculators, many of them in our country, are bidding prices up. Our belief is that it will be substantially lower. (C)

Secretary Baker: I might add that we have talked to the Soviet Union about the consequences of their moving to hard currency. We spoke specifically about Poland and Czechoslovakia. (C)

Foreign Minister Dienstbier: I will talk to Shevardnadze tomorrow night about this. (C)

The President: It is difficult, and I don't see easy answers. Privatization and conclusion of a bilateral investment treaty -- these are ways the U.S. can be most helpful. (C)

President Havel: Our main problem is that two things that shouldn't have come at all have come at the same time. The radical change of a devastated socialist economy has come at a time of this crisis. It is our misfortune, but I am grateful to

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you for saying you will look into this. (C)

The President: There is no diminished interest here in your success. We have other problems like Saddam Hussein, but there is no diminished interest. We will see what we can do. (C)

President Havel: Since our time has run out, I would like to remind you once again how cordially you are invited to visit Czechoslovakia, if only for one day. If you could come in November, we would restore the name of our train station to the Wilson Station. (C)

The President: I want very much to come. We have no firm plans. We are still very much interested in getting a CFE agreement. I hate not to be able to say yes, but I can't do so yet. I already had to cancel a trip to South America, where I was scheduled to visit five countries. And I had to throw in that one with Gorbachev. But I am not forgetting your offer. I am very interested. (C)

-- End of Conversation --

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