

THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Expanded Meeting with Hungarian President
Goncz (U)

PARTICIPANTS: The President
Charlene Barshefsky, U.S. Trade
Representative
John Podesta, Chief of Staff
Samuel Berger, Assistant to the President
for National Security Affairs
Peter Tufo, U.S. Ambassador to Hungary
Lawrence Summers, Deputy Secretary of the
Treasury
Stephen Ricchetti, Assistant to the
President and Deputy Chief of Staff
James Steinberg, Deputy Assistant to the
President for National Security Affairs
Lael Brainard, Deputy Assistant to the
President for International Economic
Policy and Deputy Director of the National
Economic Council
Marc Grossman, Assistant Secretary of State
for European and Canadian Affairs
Franklin Kramer, Assistant Secretary of
Defense for International Security Affairs
Stephen Flanagan, Special Assistant to the
President and Senior Director for Central
and Eastern European Affairs, NSC Staff
Susan Braden, Director for Central and
Eastern European Affairs, NSC Staff,
Notetaker
Laszlo Szimonisz, Interpreter

Arpad Goncz, President
Janos Martonyi, Minister of Foreign Affairs
Attila Chikan, Minister of Economic Affairs
Geza Jeszenszky, Ambassador to the United
States
Gyorgy Suranyi, Chairman, Hungarian National
Bank

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Classified by: Robert A. Bradtke
Reason: 1.5(d)
Declassify on: 9/27/09

Istvan Szent-Ivanyi, Member of Parliament
Karoly Szunyogh, Head of the Office of the
President
Gen. Ferenc Vegh, Commander of Hungarian
Defense Forces
Denes Tomaj, Ministry of Foreign Affairs
Andras Gulyas, Foreign Policy Advisor to the
President
Andras Farago, Spokesman
Laszlo Varkonyi, Ministry of Foreign Affairs
Nandor Papp, Interpreter

DATE, TIME June 8, 1999, 11:30 a.m. - 12:00 p.m.
AND PLACE: Cabinet Room

The President: We just had a very good discussion on Kosovo, the Balkans and Vojvodina. I would like to use the remainder of our time to talk about whatever you or your Ministers would like. (Ø)

President Goncz: One issue that was not mentioned is the U.S. Embassy in Bucharest's effort to open economic information offices in Southern Hungary for U.S. and Hungarian businesses. This represents an enormous breakthrough in our relations because it helps create jobs in a part of Hungary where unemployment is the highest. At the same time, the U.S. companies doing business there also realize it provides them a window to Ukraine without having to locate there. As they say, "money in Ukraine is lying on the ground, but if you pick it up you will get stabbed in the back." Hats off to your Ambassador in Hungary. This is a bold step for the United States, for industry and for Hungary. The Minister of Economy and Chairman of the National Bank are here to talk about other economic issues. They live in this atmosphere and can talk about it.

(Ø)

The President: This is good to hear. Ever since I became President, I have been trying to get our embassies to focus more on economic and commercial issues because this is what gives people hope for their future. Unfortunately not everyone does as well as Ambassador Tufo does. I thank him for that. (Ø)

On Ukraine, I have spent many hours trying to figure out what to do. I went there, we have worked very hard to help them with their economy and they have this agreement with NATO; but, there is a lot more work to be done. Ukraine is a profoundly

important country. If it fails economically, I am concerned that the political reaction will be to look backward, along the lines of Belarus. If Ukraine were to follow this track, it would be a very serious issue. If you have any suggestions for us I would like to hear them. (C)

President Goncz: The one thing I can say is that while we were both under Soviet rule for a long time, Democratic reform started earlier in Hungary than Ukraine. Unlike Hungary, the first democratic babies have yet to be born in Ukraine. What's difficult in the whole situation is the importance of Ukraine. The sovereignty of Ukraine is not that of a democratic country, but it would be worse if it were not a sovereign country at all. Ukraine will be expensive for the West, but it will be more expensive if there were not a Ukraine. (C)

The President: We have already talked about the reconstruction of Southeast Europe after the war, but you mentioned something else, the enormous work we have ahead in getting Serbia reconciled with the countries in the region and the Kosovar Albanians. Milosevic wreaked so much havoc in Kosovo and in Bosnia. How can we reduce the lust for vengeance? (C)

President Goncz: The people in Kosovo are farther away from the rest of Europe, even than Serbia. It's inconceivable to think that hostilities will end in less than two generations. The same is true in Bosnia. As far as forgiveness is concerned, we have to leave it to them. Also, I am fully aware that the air attacks were not against the Serb people, but in the minds of the Serb people, it's extremely hard to separate. I would have preferred it if the first missile had killed Milosevic because we would have an easier job for ourselves than we do now. I would like to say that your consistency and courage throughout this crisis have been of historical dimensions. (C)

The President: Well, now we have to make it work. (C)

Minister Chikan: The reconstruction of the region will be a very hard task. We need IFI involvement. (C)

The President: Hungary can be a model for Southeast Europe. The reconstruction effort is huge. We have to get all the refugees home and housed and then there is the question of power. This is a very big deal. I think we need an economic Czar to be responsible for coordination, probably someone from the EU. Also we need to incorporate the experiences of Poland, Hungary and the Czech Republic into the effort. It would be

unforgivable for us to go to this length to end ethnic cleansing and not go the same lengths to rebuild and make prosperous Southeast Europe. Serbia is different. We can't let them freeze, but we can't do much more so long as Milosevic is there. Were there any trade issues that needed to be discussed? (C)

Ambassador Barshefsky: I would like to thank Minister Chikan for hosting the WTO roundtable. It was a very positive meeting, I look forward to the next one. We would like to see greater U.S. investment in Hungary. For this to happen, it's important that Hungary consider lowering its MFN rates to EU's common external tariff in advance of membership in the EU. (C)

Minister Chikan: Thank you for the nice words about the WTO conference. As for our bilateral economic relations, they are developing very nicely. With regard to the reduction of tariffs, we have to apply EU rules, but want you to have the same benefits as the EU. On this I would like to mention that our trade with the United States has grown faster than with the EU. (C)

Deputy Secretary Summers: Good to be sitting with you talking about other countries. It's a tribute to the strength of the Hungarian economy and our strong economic relations. (U)

The President: I'd like to sum up with two points. First, that we have no problems to solve is a credit to Hungary and our relationship. Second, it is a wonderful coincidence that our new partner should be here as we reach a conclusion of the war. It maybe an act of God. (U)

-- End of Conversation --