

THE WHITE HOUSE

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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with President Mikhail Gorbachev of
the Soviet Union (U)

PARTICIPANTS: The President
President Mikhail Gorbachev
Notetaker: Nicholas Burns, NSC Staff

DATE, TIME July 17, 1990, 9:26-10:06 a.m.

AND PLACE: The Oval Office

The President: Hello. (U)

President Gorbachev: Hello. Good afternoon, Mr. President. (U)

The President: Good afternoon, or good morning from here.
Congratulations on the success of the Kohl visit. (U)

President Gorbachev: Thank you. (U)

The President: As a matter of fact, I just talked to Chancellor Kohl and he is pleased. He thinks the agreements you reached are good not just for Soviet-German relations, but for U.S.-Soviet relations too. Needless to say, we are pleased with your comments that a unified Germany has the right to choose its alliance membership. This showed great statesmanship on your part, and we feel good about it. I hope we can make similar progress on CFE and on START in the months ahead. (S)

But the main purpose of my call, as Chair of the Houston G-7 Summit, is to give you a brief report on that meeting. I will follow-up in writing. I also know that Kohl discussed this issue with you, too. (S)

President Gorbachev: Thank you. (U)

The President: I hope you noticed from our communique that we all stressed our willingness to help the Soviet Union, but that perestroika will depend on the success of your reforms. So, we tried to include positive language on that and hope you noted it. We made the point that western technical assistance should be provided now, which is something you mentioned in your letter to me. I think the U.S. can play an important role here. I hope we can get our people together so that we can intensify this technical cooperation. (S)

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We have in mind focussing on one particular area where we could work together--on transportation and food distribution. We could perhaps work together in that area. As you know, we have legal obstacles in providing credits, but we did agree that some of the western countries could provide credits now to the Soviet Union.

(S)

The communique called for asking the IMF to convene a study with the World Bank, the OECD and the EBRD on the Soviet economy, if that would be welcomed by you, and to make recommendations on how our assistance could be most helpful to your reforms. All the Houston participants agreed we wanted the Summit to give momentum to assistance to the USSR and to you own reform efforts. (S)

So, it is our collective view that the Houston and London summits should make clear to public opinion everywhere that the U.S.-Soviet confrontation is over, and that, working together, we'll make a peaceful post-war world. Now if you have a minute more, I would like to tie this in to the NATO Summit. (S)

President Gorbachev: Yes. I agree. (U)

The President: I know you already received my message. I was gratified by your and Shevardnadze's comments on the actions taken in London. I remember your telling me when you were here in Washington that you would be watching the outcome of the NATO Summit. I hope you have seen the transformation of the NATO Alliance, and hope that is the way it was read in the Soviet Union. (S)

So, what we tried to do was to take account of your concerns expressed to me and others, and we did it in the following ways: by our joint declaration on non-aggression; in our invitation to you to come to NATO; in our agreement to open NATO to regular diplomatic contact with your government and those of the Eastern European countries; and our offer on assurances on the future size of the armed forces of a united Germany--an issue I know you discussed with Helmut Kohl. We also fundamentally changed our military approach on conventional and nuclear forces. We conveyed the idea of an expanded, stronger CSCE with new institutions in which the USSR can share and be part of the new Europe. (S)

We tried to shift the emphasis in the document to envisioning a Europe in which no power feels isolated. You know my view that NATO is a stabilizing force, especially with a unified Germany not isolated but as a full member. So what I tried to do there, and in our talks, and in my previous talks with Akhromeyev, was to show an Alliance adapting to new realities and not a threat to anyone. I should also mention that the paper from which NATO worked was a U.S. paper, and I am proud of my colleagues for this U.S. role. I hope that you can study it and that we can discuss it. (S)

So, may I make two points in conclusion? As a politician, I watched with awe and respect the way you concluded and handled the party Congress. In Houston, we were supposed to be working on economic matters, but all of us watched with fascination your efforts to move on political and economic reform with perestroika. It is fair to say that all of us want you to succeed. (S)

And a last point on economic matters. To coin a phrase, I don't want the Soviet people licking sugar through a glass. We have some constraints but we do want to help. I really mean that. I want you to get the benefit of the reform process. I think you know what I mean about licking sugar through a glass. That's my report. (S)

President Gorbachev: Thank you, Mr. President. I thank you for what you have said. I will give a short response. (U)

I would start with an issue you mentioned in the latter part of your talk-- the results of the party Congress. I believe that through reasons you understand that the Communist Party remains a powerful political organization. Its position and actions will largely determine the course of events in our country. And it is only natural given the new situation and the period we are going through that the Communist Party has renounced its monopoly on power. New parties will emerge and new political public organizations will be created. (S)

And my task, and that of my close colleagues on perestroika, was that this position taken by the Communist Party be more in line with the aims we have set in these reforms. At the moment, we have reached a stage when we are about to embark on major reforms on the economy and on a new federation between the republics. I have in mind new relations with the republics on economics and other matters. (S)

I have to say, all-in-all, it was not an easy period for me. They were not easy days and nights. It was perhaps the most difficult and important period in my political life, but we have now achieved the tasks we set for ourselves. (S)

And as a result of this, we now have a profound understanding in the party and in society of the need to have new, major changes. The most important aspect is that we create a social environment to undertake these reforms. (S)

And I am also relating this to the results of the Houston meeting and the things you have just said. That is to say, we have to have ready by the end of the summer and early fall, a broadly defined program for transition to a market economy which could be begun as early as January 1, 1991. We'll have to make great efforts and perhaps in this sense we count on your cooperation. (S)

There are two schools of thought. The one more current in the U.S. is that the less help given the Soviets, the better they will be able to carry out reforms. The other, to which we subscribe, is that if we have enough resources, including financial resources at this important stage in the development of a market economy, -- enough resources, then we could move to a market economy. If we find we do not have enough resources and financial reserves, we will have to rely more on state-regulated measures. But I believe the second school of thought is more reasonable and substantiated. In this respect, I greet the positive tone of Houston under your Chairmanship. (S)

Let me also say some words on the Kohl visit. We managed to bring our points of view closer together. And, in fact, the results take into consideration our common interests--of Germany, yours and ours. I believe that without the meeting in Washington and at Camp David, without the results of the NATO Summit and the London Declaration, without the major work in my conversation with Kohl and your talks with Kohl, without the activities of our foreign economic agencies, without this real political action it would have been difficult to arrive at the proximity in our points of view. We achieved all this because we understood each other's position. We tried to take into account each other's views. I consider the results of my conversation with Kohl to be quite positive. (S)

I hope that Foreign Minister Shevardnadze and Secretary Baker will discuss specifically this particular subject. I believe they will discuss these specific points which are best not discussed in this phone conversation. If these agreements are respected, we could achieve positive results. (S)

That is all I wanted to add. I agree with you that the development of this process make us hopeful that positive results will be achieved in Vienna and on the CSCE process and that there are good prospects for the CSCE meeting we have discussed. (S)

And in conclusion, let me say I am glad to hear the voice of George Bush over the phone. Our conversation makes me hopeful for the future. (S)

The President: Let's stay in touch. Congratulations with your agreement. I'll tell the press we had a constructive discussion about the Houston and NATO Summits. (S)

President Gorbachev: Yes. I think we can do this in a short way--these two topics. (U)

The President: All right, sir. Let's do it and it is nice to speak to you. (U)

President Gorbachev: All the best, Mr. President. Good-bye. (U)

The President: My best to Raisa. (U)

President Gorbachev: Also, my best to Barbara. Good-bye. (U)

The President: Good-bye. (U)

-- End of Conversation --