

THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Working Luncheon with President Mauno Koivisto of Finland (U)

PARTICIPANTS: The President
 John Weinmann, U.S. Ambassador to Finland
 John H. Sununu, Chief of Staff
 Brent Scowcroft, Assistant to the President for National Security Affairs
 Condoleezza Rice, Special Assistant to the President for Soviet Affairs (Notetaker)

Mauno Koivisto, President
 Jukka Valtasaari, Ambassador to the U.S.
 Ake Wihtol, State Secretary
 Jaakko Kalela, Secretary General, Office of the President
 Jaakko Blomborg, Director General for Political Affairs

DECLASSIFIED
 PER E.O. 12958,
 AS AMENDED
 2000-0429-F
 JL 8/21/09

DATE, TIME September 8, 1990, 12:20 - 1:00 pm
 AND PLACE: Presidential Palace, Helsinki Finland

Governor Sununu: We met with Sobchak - he told us how independent he is. (Ø)

President Koivisto: If Yeltsin gets power he will have to share with Sobchak. (Ø)

Governor Sununu: I think there is a will to come to a decision on economics but they will have to redefine a lot. (Ø)

President Koivisto: Yeltsin has said that he needs Gorbachev more than Gorbachev needs him. But I think Gorbachev needs him a lot. Yeltsin could pick up some of the high central bureaucracy and fire the others. (Ø)

Governor Sununu: They want to close down some Ministries. (Ø)

President Koivisto: The so-called Peoples Democracies of Eastern Europe have had an easier time - free market, private enterprise had been there. Hungary has tried to open the market for 20 years. The issue is what kind of benefits can you show to the people. They now associate wealth with "criminal activity." It is difficult for them to accept differentials. We have been

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

following what is happening there. One of our experts tried to put himself in their place. What is economically necessary is politically impossible. There is no official overall policy - they just react as things come along. (Ø)

Governor Sununu: If asked, do you want market economy, higher prices but with food on the shelves - people may want it? (Ø)

President Koivisto: People are not prepared to act. The situation is deteriorating. Inflation must be solved. Ryzkhov has pledged too many times that there will be no inflation. The national income is only 50% greater than the money in circulation. Population could live for a whole year without working. They are discussing without trying to solve fundamental problems. (Ø)

The President: What happened on the bread? Gorbachev told me people use loaves as footballs. (Ø)

President Koivisto: They have everything cheap but the problems of storing the harvest are severe. (Ø)

The President: Cigarettes are a serious problem too. (U)

President Koivisto: On the policy of Gorbachev - knew what happened with Khrushchev. He knew he had to neutralize the bureaucracy. No one is loyally implementing measures. The Party did that. (Ø)

Governor Sununu: The Soviets are having to accept the wellbeing of their neighbor. (Ø)

President Koivisto: The other side - glasnost - has been much more successful, but people are not motivated and older people are just fed up. They are opening up the dark side of their history: Katyn Forest, Nicholas II and the family's death. They haven't said they attacked us but they have stopped saying that we attacked them. Volkogonov and some historians continue to say we provoked them. (Ø)

Ambassador Weinmann: When I visited a small village they said Sweden's border was there too - when Finland became an independent country they kept their Swedish based laws, etc., developed the national identity. (Ø)

President Koivisto: Molotov held discussions with the Baltic states - Minister of Foreign Affairs Molotov told the Lithuanians to change the government and to persecute them. This has been published in Mezhdunarodnaya Zhizu. (Ø)

President Koivisto: Discussions with the Balts have not yet really started. (U)

The President: They look resigned to working it out - I was worried for a while about bloodshed. (Ø)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

President Koivisto: There are problems of minorities. Riga is very dependent on raw material from Russia - what they produce can be sold only to Russia. The northeast corner of Estonia is Russian - they want their independence. (Ø)

President Koivisto: It will be interesting to see what happens when Gorbachev goes to Japan. (Ø)

Ambassador Weinmann: Has Iraq had any effect on the Muslim population of the USSR? (Ø)

The President: Saddam is pretending the Moslems are on his side and it just isn't true. (Ø)

President Koivisto: There are huge resources in the Soviet Union but they are being consumed. Many problems of productive capacity have been neglected and the population growth in Russia is almost flat. The Baltic states could probably successfully get out. I discussed this with Gorbachev. I said one problem is overpopulation. If one subtracts India's population from China - it is the population of the Soviet Union. (Ø)

General Scowcroft: Are Finnish enterprises able to do business more easily now? (U)

President Koivisto: No, there is still a problem of payments. They are looking for a transition. We have been able to barter. They were able to pay us back because of the oil crisis. The Commission for Cooperation met and others are studying problems of convertability. Our enterprises are most interested. (Ø)

Ambassador Weinmann: What about Finland and the EC? (Ø)

President Koivisto: We are hopeful - but some in EC worry that we will have the benefits without the obligations. These are discussions of new members. (Ø)

General Scowcroft: The problem to let new members in is they worry about political cohesion. (Ø)

President Koivisto: This is not a problem for today - the Swiss have a problem. (Ø)

Ambassador Weinmann: Does Iraq's cancellation of debt payments affect you? (Ø)

President Koivisto: No. (U)

Governor Sununu: What is public opinion on the situation? (Ø)

President Koivisto: Most are not prepared to send Finnish troops. (Ø)

Mr. Blomborg: Fourteen Finns are seeking to leave. (Ø)

The President: With Finland on the Security Council, I am sure it attracts more support. (Ø)

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~

President Koivisto: When I was Prime Minister - we had a flap with Iraq. (Ø)

Governor Sununu: It's very difficult for some Embassies - the French and the others.

President Koivisto: If one could find a solution to the Middle East - on the issue of airlift of Soviet Jews, there is a possibility of airlift through Helsinki - voluntary organizations are a little too eager.

Mr. Blomborg: One weekly El Al flight.

The President: We have a difference with Israel on the issue of the settlements. The Shamir government is very tough. We have some problems coming - we have to resist Saddam Hussein linking this all up with the West Bank. I don't want to see world opinion diffused as it becomes an Arab fight against Iraq.

General Scowcroft: Shevardnadze gave three parts at his press conference: Iraq-Kuwait, West Bank and Lebanon.

The President: Our answer to that is that we have a conference called the UN.

President Koivisto: The wrong people sometimes have wrong ideas and vice versa. It is very important who says something - and what he says.

The President: I've been disappointed in Arafat. He's gone so far over.

~~CONFIDENTIAL~~

~~CONFIDENTIAL~~