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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with Soviet President Gorbachev

PARTICIPANTS: The President
Mikhail Gorbachev, President of the USSR
Notetaker: Stephen Benko, NSC Staff
Interpreter: Peter Afanasenko

DATE, TIME: Friday, January 11, 1991, 8:02 - 8:25am
AND PLACE: Oval Office

The President: How are you sir? (U)

President Gorbachev: Hello George. I wanted to call. I think that all of us very busy. (U)

The President: -- Very, very. -- How are things there? -- We've been very busy with the Gulf. (S)

President Gorbachev: Well, things are moving now and we finally have a budget. We had to work hard to get an economic agreement with all the republics, but we have finally done it. (S)

The President: That's good. (U)

President Gorbachev: In the process of adopting the budget, we adopted cuts of approximately 20%. The Supreme Soviet has reduced the military budget by 20 million rubles, so I can report that we are disarming. (S)

The President: Very interesting. (U)

President Gorbachev: We have been working hard to analyze critically all the parts of the budget, and I myself worked very hard on it for a month. We have done a lot of work. In addition, in our movement to a market economy in order to maintain economic links with the various republics we have completed the process for the required agreements on food supply and economics. (S)

Tomorrow I will chair a meeting of the Council of the Federation. We will begin to discuss candidates for the Prime Minister and his deputies and also take further steps to work on the Union Treaty. (S)

We have some problems in the Baltics, particularly Lithuania, and also in Georgia and Nagorno-Karabakh, which you know. We are doing all that is possible to avoid sharp turns and radical steps, but it is a difficult situation. (S)

But now, bearing in mind that we are on an open line, I want to make a proposal about the Persian Gulf. But first maybe you would like to say something. (S)

The President: I am so hopeful that you can avoid the use of force. You know our position on that; we've talked about it many times. Your relations with all of the outside world would be better if you can avoid the use of force -- I think you know this. (S)

President Gorbachev: George, this is what we've been trying to do. We only intervene when the situation threatens the lives of the people. Now I and also the Supreme Soviet are under a lot of pressure. People are demanding I introduce Presidential rule. So far I have been trying to avoid that. Well, let me say that frankly the Supreme Soviet of Lithuania and especially Mr. Landsbergis seem not capable of any movement. Also, I sent a letter to the Lithuanian Supreme Soviet asking them to restore constitutional law. Lithuania has taken no action so far. Today the news is quite bad. There are demonstrations and strikes. You know what my style is in such matters, it is much like your style. I will do all I can to take such steps to reach a political solution. (S)

The President: I appreciate that. We look at it through the different eyes of history, but I appreciate your trying to explain it to me now. (S)

President Gorbachev: Well, we will be acting in a very responsible manner. But it is not all within our control. Today there was even some shooting. (S)

The President: Oh my God. (S)

President Gorbachev: Let me say that I will do my best in order that extremes are avoided in this situation. But only then will I take such steps. (S)

The President: What are your thoughts on the Gulf, Mikhail? (S)

President Gorbachev: George, I wanted to ask you something. In Hussein's letter to me, in answer to one I sent to him, I felt that he is ready to listen to Moscow. He asks for my advice. If I do something in this regard, I want to do it in close coordination with you. I know Shevardnadze is in close touch with Jim Baker. So if you do not object, I could take a step, I could send a personal envoy with some ideas. If you think this is a useful thing to do, I could send someone. Or I could send Mr. Bessmertnykh to talk to you in private to tell you my ideas. (S)

The President: My reservations are about the date January 15. I talked to de Cuellar, and impressed on him that it would be bad if Saddam Hussein could delay a final decision past January 15. The 15th is a real date, and I think that he'll try hard to talk to get past that date. What concerns me about a personal envoy is the timing rather than the substance. ~~(S)~~

President Gorbachev: George, maybe we'll do this. You'll have a look at those ideas. Bessmertnykh could tell them to you today, and if you agree with them, I could send an envoy tonight. ~~(S)~~

The President: Well, that's wonderful. We'll see him today, we'll wait for him to call or we'll call him, whatever you think best. ~~(S)~~

President Gorbachev: Okay, well after that if we agree, we'll decide on timing. ~~(S)~~

The President: Thank you. We'll wait for Bessmertnykh and get back in touch with you. Thank you for this cooperation ~~(S)~~

Mikhail, one other thing, I am not optimistic about avoiding the use of force. I have been optimistic, but not after the de Cuellar mission. In any event we should all be looking for ways to peace. I will be delighted to talk to Bessmertnykh, and I will look at those ideas, but that's my assessment. ~~(S)~~

President Gorbachev: George, we will work together. Looking at the whole spectrum, I am against working in an uncoordinated way. We will use very strong language with Saddam Hussein. We must stay optimistic. The United States and the USSR can do many good things together. ~~(S)~~

The President: Well, we'll look forward to talking with Mr. Bessmertnykh. But we can't let him stand up to the opinion of the rest of the world. ~~(S)~~

President Gorbachev: I agree. ~~(S)~~

The President: Thanks so much for calling. I look forward to seeing your ambassador. Good night. ~~(S)~~

President Gorbachev: Thank you. Good bye. (U)

-- End of Conversation --