

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Eduard Shevardnadze of the Soviet Union (U)

PARTICIPANTS: The President
 James A. Baker, Secretary of State
 John H. Sununu, Chief of Staff
 Brent Scowcroft, Assistant to the President for National Security Affairs
 Robert Gates, Assistant to the President and Deputy for National Security Affairs
 Ed A. Hewett, Special Assistant to the President for National Security Affairs, NSC Staff (Notetaker)
 Dennis Ross, Director, Policy Planning Staff, Department of State
 Peter Afanassenko, Interpreter

Eduard Shevardnadze, President, Foreign Policy Association
 Sergey Tarasenko, Official, Foreign Policy Association
 Teymuraz Stepanov, Official, Foreign Policy Association

DATE, TIME May 6, 1991, 1:40 - 2:25pm
 AND PLACE: Oval Office

The President: Welcome. I am most interested to hear how it is at home. Jim (Baker) will fill me in on your talks. I am glad you had a chance to meet with the Vice President. (U)

When I think of all the hard work we put in on this relationship, I am anxious that it stays strong. Some criticize us for staying too close to Mikhail Gorbachev. We will deal with him with respect and friendship as long as he is President. (Ø)

Still, we are concerned with some of the directions of change. (Ø)

Mr. Shevardnadze: Mr. President, first of all President Gorbachev sends his very warmest greetings. We had extensive discussions before I left. He values his relationship with you. (Ø)

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I have three points I wish to make:

First, things are really very tough with us. The American public cannot seem neutral to events in the Soviet Union. We have a new relationship, and the whole world has gained as a result. It is a historic achievement. (S) (S)

Second, the level of instability in the Soviet Union is a subject of concern for our people, and for the whole world. The instability is now very serious. (S)

Economic instability. Today I said we missed the boat on the economy. We had tremendous aspirations during those first years. We knew we had to go to the market, introduce price reform, make a radical shift. (S)

But we believed we were not ready. Nobody knew what a market really was. We were late. Now we are in a political conflict, a battle, growing lawlessness. (S)

Nationalities. I told Jim about this one. We didn't do all we should have done. I am not criticizing the President here, but rather myself. We're offering now a Union treaty which six republics do not want to sign. If we had offered this treaty in 1987 or even 1988, all would have signed it. (S)

Again, we were late. We had an idea, but we felt the people were not ready. It seems we miscalculated. (S)

Conservative opposition. We did not take our opposition into account. When we started perestroika and new thinking -- which were revolutionary -- we should have thought of how to create a constructive opposition. But, because we did not think that way, the result was a conservative opposition. You have conservatives here, but they are of a different type than ours. (S)

The President: Here conservative is a good word. (U)

Mr. Shevardnadze: They exist -- in the apparat, the security services, the army and the party. And they are well-organized. (S)

But what of the democratic movement? They have no platform. They consist of people running hither and thither. They have no real structure. (S)

In the recent past Gorbachev signed a joint statement [with the nine republics], which is not trivial. Moreover, for good or ill, we have gotten moving on price reform, which was tough. (S)

Third, most encouraging is that the democrats have begun to move, after all the problems last year stemming from the lack of a platform and of a organizational structure. (S)

The new democratic movement is not directed against the President, but rather as a defense of the President. All he has now is a right wing to lean on. He needs a stable structure on the left which will give him an alternative to the right. (S)

The population is upset now. There are tremendous social frictions stemming from a sense of disappointment. This is a dangerous situation. If we cannot address social problems in the next three to four months people might come out in the streets. They could ask for someone with a strong hand to restore order. (S)

Will this affect the international situation? If we can't stabilize it, then it no doubt will have a strong effect. There will be no need to talk of "new thinking." I am trying to be realistic. I hope reason will prevail. (S)

All of this has an effect on U.S.-Soviet relations. I am concerned, indeed frightened, by the pause in our relations. There are, of course reasons -- the Persian Gulf, for example. We were good partners in the Middle East. Certainly there were times where we had slight disagreements. (S)

The President: Those didn't bother us at all. We understand Mikhail Gorbachev's position. The Soviet Union stayed with us to the end. (S)

Mr. Shevardnadze: I agree. With respect to the pause. As a private person -- no one told me to say this, although I did just talk to President Gorbachev. I am simply here to see old friends -- I am afraid of the pause. We cannot allow the dynamics of this relationship to slide backwards. (S)

Mr. President, no matter what happens in the Soviet Union, U.S.-Soviet relations will determine the political climate until the end of the century. Mikhail Gorbachev is of the same mind. We should not allow a retreat from the agreements we have achieved. No serious barriers remain on CFE; really only a few pieces of equipment. The remaining issues on START seem to be essentially technical. If we can manage to resolve these two, then we ought to have a summit. (S)

If you bear in mind the considerable progress made in the USSR, then you shouldn't delay any longer. A longer pause would lead to doubts (about the U.S.-Soviet relationship), which would not serve either side. (S)

The President: I want a summit. The problem is that we have CFE and START as preconditions. That is the way it has evolved. We also have other differences -- over the Baltics, grain credits, and others -- but these should not stand in the way of a summit. I would like to see the two arms control agreements, and then get on with the Summit. (S)

I'd like to do the summit in a way that strengthens Gorbachev. I wish he could make progress on the economy and the republics. The best thing he could do for the Baltics is to free them. That would bring an enormous benefit in terms of public opinion. This is not a sine qua non. If I went to have a summit today, some groups in the US would be upset. That won't keep me from doing it. (S)

What about economic reform? Can we expect more steps soon? (S)

Mr. Shevardnadze: He already has taken a couple of steps. Unfortunately many were half-measures. Now we're living in this crisis situation. We have 3-4-5 months. If we don't give people basic staple goods then we can expect a crisis from the high prices and empty shelves. We need to get over the next few months. The reforms will continue no matter what. There is no way back. But if the crisis grows worse, dictatorship comes. (S)

The President: Yel'tsin stands mainly for the things we like to see:

- free the Balts
- Cuba
- Afghanistan
- Radical economic reform

So, from what we hear, he shares many of our goals. But why haven't people rallied around that message? Why can't Gorbachev and Yel'tsin get together? Is it personal? Is it that Yel'tsin can't deliver? (S)

Mr. Shevardnadze: It is hard to talk about a man until he becomes #1. I know him relatively well. He is talented, energetic, strong. What will happen later? He's shooting for the top spot. Relations between Yel'tsin and Gorbachev are not simple. The overall situation is that they found the will to begin the dialogue. Many called for this. Look at Gorbachev and Reagan, with the images of the Soviet "evil empire" and the US as a "center for imperialism." Nonetheless we started a dialogue, so why can't Yel'tsin and Gorbachev get together? Confrontation is not in the interest of people. (S)

The President: Would Yel'tsin be strongly opposed to the military and the KGB? (S)

Mr. Shevardnadze: When we talk about the military, it is always in terms of conservative, right-wing forces. I personally know many progressives in the military, especially at middle levels. They have good feelings towards Yel'tsin. There are military officers who support him. (S)

The President: It's hard to sort it all out from here. Indeed there is a tendency to look at the military as a monolith. (S)

Mr. Shevardnadze: When they issue orders they are carried out. But there are different points of view [within the army]. Look, for example, at the issue of military reform. (S)

The President: If you were here in this chair, what would you do to try to preserve and strengthen the US-Soviet relationship? What two or three things would you like to see me do? (S)

Mr. Shevardnadze: I know you wish to support reforms. The most important things are:

First, at a minimum we must try to keep our cooperation at the level we have already achieved by moving ahead on CFE and START. This will lead to demilitarization which helps democratization and reforms. (S)

Demilitarization is the best way to help the Soviet Union. The threat of instability in the Soviet Union is worse than that posed by Saddam Hussein. (S)

The President: So that's number 1. What else? (U)

Mr. Shevardnadze:

Second, if I may be frank: develop economic relations. On a specific matter, you supported us last year on farm credits. I know this has now resurfaced. As a citizen I cannot but ask you to do it again. It is not by accident that I say the next few months are critical. We must let people feel something tangible. I know it is hard, but if it is possible, give the credits. (S)

The President: The law is quite restrictive on credit-worthiness. There may be ways to get around it. Candidly, I'd like to do it, but it could be hard. Jim, is there any way around this? (S)

Secretary Baker: We talked to Eduard about this. (S)

The President: Is there no way to secure the loans? I don't want Mikhail Gorbachev to misunderstand me. I want to do this. There is strong support from our agricultural areas. But credits without market reforms don't solve any problems. (S)

Mr. Shevardnadze: Mr. President, you can't stop the reforms. Even if we can't maintain a single Soviet Union, reform will continue. Russia, Kazakhstan, and other republics are already doing reform. Up to now the greatest fact was the power of the center. No longer. Reforms will go on. (S)

The President: Would any of these credits go to Baltic states? (S)

Mr. Shevardnadze: We can set those conditions. I can tell Mikhail Gorbachev it will only work if we divide up the benefits. (S)

The President: I think it will only work that way. In terms of U.S. politics, if that could be arranged it would be very helpful. (S)

Mr. Shevardnadze: I'll tell Mikhail Gorbachev. I think we can find a solution. The center and the republics have ties. The republics just declared that they want to be independent. It would be foolish to break off every tie. The republics' economies will remain closely tied to each other. Their political relationships may change dramatically. (S)

The President: Did you talk to Jim Baker about Iraq? (S)

Secretary Baker: We talked on Iraq, and on many other aspects of the Middle East situation. (S)

The President: Working together in the Middle East would help a lot. Was there resentment in the Soviet military about the way we conducted the war? (S)

Mr. Shevardnadze: I can't say that all the Soviet military were resentful. There were people who had a stake in the outcome, and they got upset. For those military advisors who sat in Iraq since 1972, this was a fiasco. (S)

The President: We should continue these high-level military-to-military contacts -- Akhromeyev and Crowe were a good thing. Moiseyev seemed an interesting fellow. (S)

Mr. Shevardnadze: It is a good idea. But we have to be demanding with the military. They meet like good fellows, and tell each other all their secrets. But when it comes time to sign on the dotted line, they balk. They like each other, and are very polite. The cooperation with Akhromeyev, which resulted in very good relations, didn't give us much. (S)

The President: Akhromeyev seems to have moved away from the U.S. I've seen some hard-line statements from him. (S)

Mr. Shevardnadze: The SOYUZ group in the Congress has some very reactionary people in it. Akhromeyev is in that group. We have to listen to them. (S)

Secretary Baker: No one pushes any more the way Eduard did when he was in office. (S)

Mr. Shevardnadze: The move from totalitarianism to a government based on laws is tough. SOYUZ and other groups don't allow diverse discussion. (S)

The President: I see I'm behind schedule. It was a joy to have you here. If there is any way we can be of help to you on this trip, please call Jim. I will never forget your personal

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contribution. If you decide to get back into politics you would find lots of support. (S)

Mr. Shevardnadze: I appreciate that. I am grateful to you for all of your cooperation. (U)

-- End of Conversation --

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