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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Luncheon Meeting Between the President and
Yevgeniy Primakov, Member of the USSR
Security Council

PARTICIPANTS: The President
Brent Scowcroft, Assistant to the President
for National Security Affairs

Yevgeniy Primakov, Member of the USSR
Security Council

DATE, TIME May 31, 1991, 12:00 - 1:00pm
AND PLACE: Oval Office

Mr. Primakov: The situation is truly critical. Gorbachev has reaffirmed his dedication to economic reform. Do not underestimate Pavlov. He is trying very hard, but he is not a politician, and sometimes he makes ill-considered statements. (S)

The Moiseyev visit was well received. He is not sophisticated, but he understood you. (S)

What we need now is large-scale assistance. The issue is taking on strategic importance. Mikhail Gorbachev has named me as the coordinator of the assistance. Yavlinskiy is able, but he wasn't involved at the beginning. He works for me. Don't overestimate him -- he is a bit immature. He works on instructions he got from Gorbachev. (S)

We (Yavlinskiy and Primakov) must get together, and not have competing plans. We will use the result of Yavlinsky's work in Boston as an "overlay" on our basic plan. (S)

We want you to come to a summit. (S)

The President: We want to if we can only hammer out our differences on arms control. (S)

The Economic Summit is a more complicated issue. We have to work it out so that Gorbachev doesn't ask, then go away empty-handed. (S)

Yeltsin says what many want to hear. (S)

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The question is which comes first: reform or aid. We are broke right now, more or less. I have to be able to go to our Treasury and the IMF and present something which is economically feasible. (S)

We will also have a big problem with your defense spending. That will be a big issue with our conservatives. (He mentions a chart used at Malta.) (S)

(The President then describes the views on defense budget by the U.S. and by the Soviet military.)

You get great credit for Eastern Europe, etc., and for the historic and dramatic changes you have undertaken. (S)

Mr. Primakov: Yeltsin is not a serious political figure, but he is a fact. We are trying hard to work with him. (S)

We need to stop aid to Cuba, but it would be a disaster to associate it with western aid. (S)

The President: Who would it be a disaster for? (S)

Mr. Primakov: How much of a disaster will depend on how well the economy is doing. Now people are saying we have gotten nothing from the West, or internally, from our new course. For example we walked away from a huge infrastructure we built in East Germany. (S)

For us the Baltics are a problem. Gorbachev rejects the use of force. (S)

Those who don't accept 9+1 must accept five principles:

- A single monetary unit
- Fixed contributions to the center
- A single court system
- No internal customs
- Single price for fixed-price products

If they won't play by these rules, we would have to try to find something else, for example, trading at world prices. There also may be a reward for signers. (S)

Gorbachev has said that relations with the U.S. are a #1 priority, so your respect has great importance for us. (S)

The Balts must understand they have no economic niche in Europe. They also want to cut their economic ties as if nothing much changed. The borders of Lithuania, for example, are now an issue. (S)

so this is a complicated issue. We feel some in the U.S. are turning their backs on us. (S)

The President: (Discussed the attractiveness of Yeltsin vs. Gorbachev.) (S)

Mr. Primakov: We are now doing things right. We are now following the law. The basic contradiction between us and the U.S. is that right now we cannot fully abandon all administrative methods. We need to move to a market economy, but our transition requires some levers. Our people won't use initiative -- they wait to be told. (S)

The President: There is a perception here that the military establishment is pressuring Gorbachev to yield. (S)

Mr. Primakov: The reality is more complex. At the last (Communist Party) Plenum the conservatives wanted to take over. They were defeated in their efforts. As an institution, the military supports Gorbachev, but not Yeltsin. If the military and conservative establishments combine, then that is a problem. (S)

Gorbachev will not come to London and ask for \$100 billion. (S)

The President: I have a question on CFE. Gorbachev signed a treaty. Then we think the military made Gorbachev pull back from the treaty, and are resisting it. (S)

Mr. Primakov: They couldn't openly be against a treaty, no. The militaries talk much about asymmetries: NATO, but no Warsaw Pack, etc. But nobody wants to stop arms control and reductions. We will reduce our military expenditures. (S)