

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President of the Russian
Republic Boris Yeltsin of the USSR

PARTICIPANTS: The President
The Vice President
Lawrence Eagleburger, Acting Secretary of
State
Nicholas Brady, Secretary of the Treasury
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Robert M. Gates, Assistant to the President
and Deputy for National Security Affairs
Ed A. Hewett, Senior Director for Soviet
Affairs, NSC Staff
Curtis Kamman, Deputy Assistant Secretary for
USSR and East Europe, Department of State
Nicholas Burns, NSC Staff (Notetaker)
Dimitri Zarechnak, Interpreter

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Boris Yeltsin, President of the Russian
Republic
Viktor Komplektov, USSR Ambassador to the
U.S.
Vladimir P. Lukin, Chairman, Committee on
Foreign Affairs and External Economic
Relations, RSFSR Supreme Soviet
Andrei Kozyrev, Foreign Minister of the
Russian Republic
Gennadiy Burbulis, Plenipotentiary
Representative of the RSFSR Supreme Soviet
Chairman

Vladimir Saekov, Interpreter

DATE, TIME June 20, 1991, 3:00 - 4:40pm
AND PLACE: Cabinet Room

The President: May I start? I meant what I said in the Rose Garden. I want to learn more about your views and intend to listen. I think you handled the press with just the right tone. They were looking for a fight. I have told Gorbachev that we support market economic reforms. His commitment to that and your support are both critical. We will not do anything to undermine him. (S)

We have good relations with the USSR and the Gorbachev government and want to keep that. I hope you understand why I want to

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continue good relations with the USSR. I am delighted with the way things are evolving in our relationship. You should know that we also want good relations with the republics. I am the U.S. President and Gorbachev is the USSR President and so we will deal with each other. But that does not mean that we cannot do business with you. By the way, we may have to interrupt this meeting for a call as you know. I know you have already met with Dick Cheney, Mosbacher and will also see the Vice President. (S)

There has been a lot of talk in the press that the U.S. is not interested in close relations with you or other republic leaders. That is dead wrong. I have met I think eight times with Baltic leaders. I hope that has sent a signal of our interest in good relations with the republics. You have been elected and so it is normal to have good relations. Secretary Mosbacher told me that you want to increase our trade and investment and that you have agreed to work with us to do this. We can also do other things with you. I don't know if you have met Bob Strauss. He is a Democrat, not a Republican. He is a damn good man. He knows me and Secretary Baker well and he knows business. We will also propose to your government and the central government shortly our readiness to send a shipment of medical supplies to the Urals region in the autumn. We hope this will symbolize our wish to work with the Russian people. (S)

On the nine plus one agreement, it looks like a milestone to us, providing the foundation for a voluntary union. I know your participation was critical to that agreement and I would be interested in your views on it. I would also like your views on how foreign and defense matters will be coordinated and handled in the new union. We are particularly concerned about arms control. Our Congress is worried about defense matters and I am sure your people are worried too about our defense relationship. I would like your views on that. (S)

I have more questions. On market economics, I would be interested in talking about this with you. We saw Primakov and Yavlinskiy about the anti-crisis program. We believe it relies much too heavily on command methods. Both of us have received the Yavlinskiy program. I understand Yavlinskiy made a presentation to Gorbachev. This is a vital issue. We can talk about Japan. These are the key questions. Welcome. (S)

President Yeltsin: Thank you, Mr. President. Indeed, this is our first working visit after the elections. It is a very natural move to come to the U.S. My trip is at the invitation of the Congress because the U.S. has been a big supporter of democracy. We are a new-born democracy. This is a turning point for Russia and other republics. The republics have sovereignty. This is not a facade but a serious development in the politics of the USSR. (S)

It is a pleasure to hear you say that you will deal with the republics and not just the center. This is possible and realistic. The nine plus one agreement is a comprehensive approach. Gorbachev stated in April that he supports reforms and

supports democratization in the USSR. After this, I made a step toward him which made the nine plus one agreement possible. It then became possible to work on the draft Union treaty. All the nine republics are working hard on it and are committed to it. Moldova and Armenia are in doubt. But it is clear that Georgia and the three Baltic republics will leave the union. It is my firm opinion that it would not be worth using force to keep them in the union. They are entitled to withdraw and not be chained to the union. (§)

The economic arrangement is intended to allow this. Practically all the republics have agreed to sign it. If differences arise, there will be another way to deal with that -- through bilateral arrangements between republics. Russia has agreements with Estonia, Moldova, Ukraine, Latvia, Kazhakstan. We have ready for signature agreements with Lithuania, Armenia and Azerbaijan. We are preparing a treaty between Russia and Azerbaijan. So, if the union treaty fails, we will maintain economic arrangements. The union compact will be considered by the nine and President Gorbachev and also by leaders of the autonomous republics. We have within Russia sixteen such republics. There are two more which are in Azerbaijan and Russia. The draft Union treaty is not one hundred percent ready. Some issues are outstanding but during the last session we agreed to send the treaty to the republics. Following ratification by the republic supreme soviets, it will likely be signed in July. (§)

On the division of functions, I will tell you what the treaty provides. Defense is in the purview of the center but defense industries are a matter for the republics -- for Russia. The ministries of Electricity, Nuclear Power and Transportation will belong to the center. The rest will be the jurisdiction of Russia -- all minerals, oil and gas and all other resources. Some responsibilities will be joint like customs. Both the center and the republics will run them. (§)

The President: I have one question. This is very important for our investors. If a western oil company wanted to make a deal to refine oil and Russia and the center wanted to do this, did I understand you correctly that the oil company would make the deal with Russia and not the union? (§)

President Yeltsin: You got me right. We no longer need services from the center. We do not want the command system. We want to destroy it. We don't want to build such structures. All business will be free. So this morning I met Secretary Mosbacher and responsible people from some of your businesses. We said that there is a new law on foreign investment in Russia. MFN is extended to all commercial partners of Russia. We want to ask for your reciprocity -- to lift those restrictions. If you cannot do this with the center, perhaps you could do it for Russia and the republics. (§)

The President: We're moving to lift the restrictions. Your emigration policies are clearly improved. I hope we can get it done to overcome these problems. (§)

President Yeltsin: If it is done soon, it will be a help to us in the transition to a market economy. We are moving to a market economy. We have built the legal framework and laws on private property. Russia is open today for foreign investment. We have simplified the red tape. It used to take two years to arrange a joint venture under the old system. Under our law it now takes twenty one days. We can give land to foreign investors. We gave the Commerce Department a list of unfinished constructions sites for sale. U.S. firms do the construction and sell them. We can agree on profit sharing arrangements. It is no longer valid to stop private property. By voting for me, the Russians have supported this program. (S)

Besides, Mr. President, we are creating private farms. Those who are pessimistic about this program are wrong. We have a law on private farms. We now have 30,000 private farms and there are another 30,000 people waiting for land. (S)

The President: Do you have evidence that private farms are more productive? (U)

President Yeltsin: I have met with many private farmers and have not seen one less efficient than state or collective farms. They are at least twice as efficient. They are twice as good as collective or state farms. My people want land. Of those 30,000, half have returned from urban areas. It is interesting that, in the thirties, people left for the cities. Today, I believe they are going back to the land. This is an achievement. (S)

So, I have some proposals to make. I want direct dealings with you without detriment to your relations with Gorbachev. He supports such a two-tiered external relations for the USSR. It would be good to have a U.S.-Russian program in storage and food processing. We waste thirty per cent of our food. At the turn of the century, Russia exported food. Today, we cannot feed our own people. If we succeed with your expertise to cut waste and the losses by three or four times, we could meet all the agricultural needs of the people. (S)

The second program would be in training for managers. I would ask you to consider that your private businesses and public agencies train for a year 25-30,000 of our experts. These would not be new people but retraining for our current people. They have no knowledge of private management. We don't have entrepreneurs. (S)

I would like you to consider another thing. I talked to Cheney about defense conversion. You have the same problem. But ours is so acute that it could produce discontent. Cheney seemed understanding about a joint program on conversion to tap your expertise. Your assistance could be helpful. (S)

Next, we would like to suggest a program on transportation development. We have a problem in transportation. I believe

you had doubts about our commitment to democracy and free enterprise. But Russia is firmly committed. I would like your agreement to form an ad hoc group to look at the possibility of launching these four programs. Skokov, the First Deputy Prime Minister, talked to your businessmen. They support it and will be prepared to participate. (S)

On defense issues, we did agree to give that power on defense to the center. But that does not mean that we won't be involved on defense matters. Eighty percent of the military hardware and almost one hundred percent of the nuclear and strategic forces are in Russia. The Ukraine declared a nuclear-free zone. We have all the nuclear weapons. (S)

I was asked today about another thing -- about taxes. I answered that all the taxes in Russia will be in favor of the republics this year. There will be no new taxes. Russia will collect all taxes and will remit appropriately to the center. So, instead of 70 billion rubles, we will remit only 23.4 billion rubles. Only Russia and Estonia have no deficit. So the military will have to do with less. We cut our contribution to the defense budget by 15 percent. The military wants more but Russia will not agree. We cannot afford it due to the disastrous situation in Russia. So we will cut our contribution to defense. (S)

On the market, we have all the legal infrastructure for privatization. We are starting to move and have given people the right to privatize. This is not a simple process. I am hopeful that within twenty four months we will privatize all that can be privatized. (S)

Concerning Primakov and Yavlinskiy, the internal situation is developing. Yavlinskiy acted with the prior agreement and certain support of Gorbachev and Yeltsin. But Primakov left for here and the discussions and proposed an anti-crisis program for which the people haven't voted. Yavlinskiy came back and gave me a copy of the program which he developed. I am only sorry that I received a copy on the steps of the plane so I have no opinion yet. I have had insufficient chance to read it. But I can't agree to the Primakov program. Primakov served as bait. It will not lead to good results. (S)

I should have told you this before. I had a personal and private meeting with Gorbachev. He asked me to give you his best wishes. He said categorically that he was in favor of radical reform and market economics but was doubtful on private property. Russia has no doubts. Seventy years is long enough. I think he will throw the idea overboard. He agreed to a new name for the country -- it stands for the Union of Soviet Sovereign Republics. (S)

The President: I have a question on internal affairs that I want to understand. What are the pressures on my esteemed friend and yours, Mr. Gorbachev, from the military, the KGB and Mr. Kryuchkov? What do they want? A return to the old system? If

we can work out the four points of cooperation, would they object to Gorbachev and you on these reforms? (S)

President Yeltsin: As for the four items, they are Russian matters and no one can interfere. Gorbachev is pressured by the military and the KGB and the party apparatus of the Communist party now joined by Pavlov. The situation in January, February and March was particularly acute. Gorbachev hesitated and began to go back. Reforms were slowed. There was an offensive launched against Glasnost. We had the events in Lithuania and in Georgia, South Ossetia. Please do not misunderstand the statement I made. I said if Gorbachev goes back on reform then he should step down. But in April came the consolidation of democratic forces. Gorbachev understood he could not live without the left wing. He abandoned those positions of three months. That opened the way for the nine plus one agreement. (S)

On the other hand, the conservatives became furious. They seek the return to yesterday's system -- that of pre-1985. The military's quest is for discipline, for law and order, a command system. I won't dramatize the situation because those structures are not of one mind. The army is divided. If there were order in the military, all the servicemen would have voted for Ryzhkov. But forty percent cast their votes for Yeltsin. There are discontented middle officers who want democratic reform. The army as a whole would not come out against the people. It could happen in some places but not throughout the country. (S)

The KGB is very powerful still this year no less than in past years. But middle officers are on the move. The system will not act against Gorbachev but could move against Yeltsin and Russia. As for the Communist party, I divorced myself from the party. There have been a number of legislative acts passed. It seems to me there may be Presidential decrees on depolitization in the Ministry of Interior, the Army, KGB, businesses and government agencies. There should be no party cells in the workplace. They should only operate in the neighborhoods outside of work. This will be a strong blow. Only three to four percent of the people support the pressures of the Communist party as the election showed. There are many examples of pressure in the campaign but our people are clever enough to know the truth. (S)

So, Russia is firmly on the side of Gorbachev. I cannot act without him. We can only act together. Gorbachev's departure and the arrival of some General would be tragic. People would take to the streets and there would be civil war. But I am not that pessimistic. That is only talk. In twenty four hours, I will be back at home and we will know the situation first hand. The Supreme Soviet cannot remove Gorbachev. Only the Congress of People's Deputies can do that and they never would. Only a violation of the constitution would remove Gorbachev now. This cannot happen. (S)

Russian Foreign Minister, Mr. Burbulis and Mr. Skokov, the First Deputy Prime Minister. (U)

The President: Well, thank you. That was exactly the presentation we wanted to hear. (U)

President Yeltsin: I would like, Mr. President, to have your agreement on establishing the four programs and your direct concurrence. It will be based on Russia and U.S. economic relations with the participation of private businesses and government agencies, like the Department of Commerce. (S)

The President: First on your principles. Obviously your talk proved dear to our hearts -- privatization, dealing with contracts, the system of democracy, your election. I admire your position on the Baltics and on foreign aid. We are comfortable with this. On trade, we will need to get back to you specifically on the four areas. As I look at it, I will say that we support normal trade and investment with the USSR and all the republics. Our businessmen want to invest. I hope everyone in the USSR agrees and that we won't have a problem. If this is as clear as your presentation, I would see agreement on those four areas. We believe you need retraining programs. We don't have all the answers but want to do more. As for the four points -- food storage, training, fostering conversion -- we can help and want to do so. As Ambassador Komplektov knows, we have a base closing battle here too. I have said to people that there are other uses for bases. We can share our expertise -- there are things we can do. But the only reason I am not saying yes to all four is that I want to talk to our experts. For example, we need to know more about the transport problems. In principle, I want to work with the republics. We will get back to you on the specifics. You and Mosbacher talked and we will have a group working. (S)

The key for me is what you have said on Gorbachev. We must be respectful of the office of President. I like him and respect what he has done and wants to do. In principle, you have put your finger on what we think will benefit you. What you said about working with Gorbachev helps us and makes things easier. We will not involve ourselves in your internal affairs and we will be careful on foreign policy issues. (S)

But I come back to the fact that you were democratically elected and are committed to markets and privatization. On all these things we agree with you. My only hesitation on the four points is that I want to be sure as President that I do things properly. You are entitled to an early answer and I will do it. (S)

I am moved and encouraged by this presentation. I wish there was more time to discuss defense issues. Gorbachev gave me a map at Camp David with blue flags marked where there are U.S. installations in the world. The message was -- you are trying to encircle us. Our intelligence community said the map was accurate. I got thinking about that map and Gorbachev was smart to give it to me because many Soviets still wonder if the U.S. is

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in accordance with this, I would be happy to agree. My responsibilities deal with the center but if he agrees I will move forward with you. Let me stay right there and follow up.
(S)

President Yeltsin: Good. So in principle we have an agreement. Our experts will work on the details and develop the agreement.
(S)

The President: Okay. (U)

President Yeltsin: We shall meet your bankers to set up a group.
(S)

The President: Again, I am delighted to know that you and Gorbachev are in agreement on things. Well, I think that does it. I guess the phone call was delayed and will not work. You will now see the Vice President. (S)

President Yeltsin: That meeting has been delayed and overtaken by ours. (U)

The President: We tried to make the call but they said it couldn't happen before 5:00pm. (S)

President Yeltsin: Anyway, I promise to be in touch with Gorbachev from New York and the Ambassador can pass any necessary information to you. Please come to visit our White House when you are in Moscow. (S)

The President: Thank you. Thank you very much. (U)

-- End of Conversation --