

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Gorbachev of the USSR
(U)

PARTICIPANTS: The President
James A. Baker III, Secretary of State
Brent Scowcroft, Assistant to the President
for National Security Affairs (notetaker)
Peter Afanassenko, Interpreter

Mikhail Gorbachev, President of the USSR
Boris Pankin, Minister of Foreign Affairs
Anatoly Chernyayev, Foreign Affairs Adviser
to the President
Pavel Palashchenko, Interpreter

DATE, TIME October 29, 1991, 1:20 - 2:45pm
AND PLACE: Madrid

President Gorbachev: Let's spend a couple of minutes over how to organize these talks. I have two or three days myself. (U)

President Bush: As do I. (U)

President Gorbachev: I suggest a couple of areas. First on the Middle East Conference. I have a couple of problems. We need to talk in detail on our internal situation. Not only on the economic situation, but what we are doing now. (S)

President Bush: This is fine. We can't cover everything, but why don't you start? (S)

President Gorbachev: On the Conference, I will be brief. It proves again the kind of cooperation we have been able to achieve over the past couple of years. Some ask whether it is worth it now to cooperate with the Soviet Union and what Gorbachev represents? I must note here your balanced attitudes on this question. (S)

I think we still have much work to do together. The assets we have deployed together over the past period make us see that cooperation is preferable. Through our efforts, especially Baker's, we now have a beginning for this unprecedented Conference. My impression is that we must be cautious and that the participants will doubt a need from time to time to continue.

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Not that we should work instead of them, but we are facilitators of the process. We should give them a chance to work for themselves. (S)

I spoke with the President of Cyprus. He hopes you and I will find a way to solve that Cyprus problem. This was my first meeting with him. He seems a serious man. (S)

President Bush: He's a very good man. We hoped for progress, but then the Turks pulled back. (S)

President Gorbachev: He said that now that we are working together, we should remember that the Cyprus situation was created by force and should be solved not by force, but by negotiations. In other situations we have not put up with force. (S)

In Yugoslavia the situation is of much concern. They seem unable to engage in a political process, despite assistance by all. I don't know if you have considered raising this in the UNSC. Maybe we should think about it. (S)

President Bush: Some believe this is an internal matter and that the UN should stay out. (S)

President Gorbachev: External intervention is inadmissible. But taking a principled stand would be useful. (S)

President Bush: The Security Council did pass a resolution not too long ago. (S)

Secretary Baker: Now there is no effective central government. (S)

President Bush: We're open-minded. Let's keep talking. Did your talk with the leaders offer any hope? (S)

President Gorbachev: They went back with promises of cease fire and good offices. (S)

Secretary Baker: The UNSC did impose an arms embargo, and it seems to be effective. (S)

President Gorbachev: This is a bad precedent for this to happen after the Paris CSCE conference. (S)

President Bush: Yes. The EC is not united on this issue. (S)

President Gorbachev: Yes. Some were hasty in saying there is no more Yugoslavia. That is not helpful. Maybe we should have additional exchanges on this. CSCE may not be able to continue if we can't deal with this. (S)

President Bush: May I say a word about the Conference? We appreciate your role, especially with Syria and the Palestinians. We must continue to work together with the Syrians to attend the

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multilateral conference, and ensure that the Palestinians not mess things up. If we are to succeed, we must stay together. (S)

President Gorbachev: I agree. Should we react to the terrorist act? We'll get a question. (S)

General Scowcroft: We have to understand it first. (S)

President Gorbachev: So we could do that, and say it is an attempt to scuttle the conference. (S)

President Bush: I see two problems. We need to encourage Syria to participate in the organization of a multilateral meeting. The other is the site for the follow-on conference. The Arabs want Madrid. Israel wants everything to be done in the region. We need a compromise formulation. (S)

President Gorbachev: Today we can focus on this in the talk with Shamir. We shouldn't focus solely on this or the issue of multilateral talks. We need a balance. (S)

Secretary Baker: But we either need to start in four days or we might not start at all. Rhetoric in this conference will be extreme. (S)

President Gorbachev: It is a question of Golan, 242, and the Settlements. (S)

President Bush: These are all tough issues. I will say all must think anew. (S)

President Gorbachev: There will be nothing new in my remarks. Shall we move to the second topic? (S)

President Bush: Are you coming to the Reagan Library opening on November 3? (U)

President Gorbachev: I got a letter from him. He is a charming man. (U)

Now, about our domestic problems and where we are. On the surface much is happening. The question is how to end the crisis. The only way is to accelerate reform -- market-based political and economic freedom. (S)

There must be a single market. Awareness of this is growing. The central question is the future of our state. After August there is a running debate and statements by reporters of declarations of independence, which didn't change anything. They are just a prelude from which to take steps to voluntary association. (S)

Some reacted to Russian statements about frontiers. That spurred support for separatist movements, and talk about a Russian Empire. It was a bitter dispute. (S)

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It was difficult to reach a stage of a joint statement by 10, but the process is now launched. The treaty has been signed in the form developed by Yavlinsky. Some have said it represents a return to the center, but cooperation requires some sort of collaboration. (S)

Ukraine said it will shortly sign the economic treaty. We worked with Yeltsin on the draft union treaty and have sent it to the republics. It calls for a unitary state, not a free commonwealth. It will have central institutions and foundations. It will have control over areas of energy, transport, communications, and R and D. We have responses from most of the republics. Nazarbayev suggests the center be stronger, and others agree. Yeltsin has comments, but the process seems to be on its way. The State Council will meet on November 11 to discuss it. (S)

Yeltsin is under severe pressure by those who support a different concept. People who think Russia should shed other republics and go ahead alone. Yeltsin understands what that would mean. Russia then would be in a period of upheaval and other republics would be in a state of chaos. Other regimes would rise--even Yeltsin could be jettisoned. Yeltsin understands, but he is easily swayed. (S)

His speech had two parts. On the economy he stuck to our agreed approach, although on some questions he was a bit rash. That's not too dangerous because he follows a path to economic reform. So that is a positive part of the speech. It was a dramatic and brave decision -- not his usual populism. It is difficult for him, but he did it. I spoke to him yesterday and said I would support that positive part of the speech. (S)

But the rest of the speech was worrisome. Although he reaffirmed support for the Union, he retreated on some issues in the union treaty. He also made some rash statements on issues of great importance. Still I will give him support because he is pushing reform. (S)

President Bush: Does Yeltsin's Russia want to take over the center? We can't see over the horizon. (S)

President Gorbachev: That is a direct question. That was happening when I returned from the Crimea. That worried the republics and the democrats. It took a big effort on my part to hold the line. That process was stopped. I helped Yeltsin to get out of his box by accepting the decisions he made during the coup. His present situation is not entirely calculated. Today a new union gives form to Russian leadership of the republics. They can't accept direct Russian direction. Most republics support a center. He and I had a good understanding about this, and his speech was somewhat disappointing. If he goes to separatism that would be a disaster for all. (S)

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My view is we will find an optimum solution for the economic and political treaties. I am working with each republic on this. A crucial time for us and the West is approaching. What kind of Soviet Union is wanted? You need to take a clear stand and put forward a program of support. (S)

Yavlinsky called last night. He told me that the G-7 had done careful work and would report to their heads to make final decisions. I request you to take the initiative and accept that decision. What is it? \$370 million in cash needed today. One billion financial credits expected from Saudi Arabia and Korea. Finally, \$2.5 billion is needed for standby in case of need, and to deal with dangers in this critical situation. (S)

You all understand what is happening that the implications. But now this seems to be a brake sign a MOU on foreign debt. terday they did al point. (S)

President Bush: Let me be ve position has been support for exclusively -- and you. In K which was sharply criticized. nationalism. We maintain cor behind your back. Many worry meant, and how good the credi

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Our law requires certificatio good signs of intent to refo are desperate. How we can g our view we can do something to participate since they ha less we have to deal with G- worse than expected. So we assurance the republics are involved. (S)

ss. The G-7 saw reditworthiness on't know yet. In d the republics for something e situation is t need additional

President Gorbachev: The MOU is just that. The republics have recognized the debt, and declared responsibility for it. They authorize the central bank to do it in their behalf and all will provide for servicing the debt and its obligations. (S)

Let me be very frank. \$10-\$15 billion is not much for us and repayment is not a serious problem. If the current crisis escalated then we -- you and us -- will pay much more later. You mention the demands of Congress and Treasury. In a routine situation that is sensible. But in this crisis situation, routine decisions are not possible. Political decisions are required. (S)

President Bush: That is why I asked you about the possibility of a reactionary coup. Another new element is my situation at home. It is not like yours, for which I am grateful. But the Democrats forget foreign affairs, and focus on Chicago, etc. Congress says, how can you certify the credit? We must put it on the line as a medical and agricultural credit. (S)

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I can't say what your need is -- only you can. I can tell you what I can do now: \$1.5 billion for the winter while you sort out the union-republic situation. If that is insulting to you, I will go back and consult and see what might be done. But if you want something now, I can do this for two reasons: it is agriculture, and the republics are now involved, so credit is better. It is something we can start with. But if that puts you in trouble at home, maybe we should just defer. But I can't do more right now. (S)

President Gorbachev: We have two problems. The food crisis exists and we hope for \$3.5 billion before the new harvest. Second, we need decisions regarding the work of the G-7 experts. (S)

President Bush: What is the second? (U)

President Gorbachev: The G-7 agreed about the current debt payout situation. \$370 million cash to continue; faster action by Saudi Arabia and Korea for \$ 1 billion; and, last, \$2.5 billion standby. We will invite the IMF and the World Bank to supervise our activities in the use of our credits. The G-7 representatives have all the necessary data. The main G-7 worry was the need for a MOU of joint responsibility for foreign debt and a judicial person to be responsible for it. That has been done. (S)

Secretary Baker: The President is talking about \$1.5 billion -- \$165 million in grants; \$250 million in credits now, and \$1 billion in 60 days. The President says that is what the U.S. can do now. It doesn't get into project aid like food processing, etc. People can't eat projects. This is really all we can do now. (S)

We want stability. You remember our telling you in June of a possible Pavlov Coup. We heard disturbing reports on this speech last Friday (he describes them). We went to Russian officials and questioned this. We think we had some effect. So we are doing what we can. If we knew where the speech does not accord with your union agreement, maybe we could help you on that. (S)

President Gorbachev: They all want to show they can handle with contacts with the U.S. It is a messy situation. I think we can handle it. I am confident, but it won't be easy. That is why I am so insistent in raising the aid issue now. (S)

President Gorbachev: We will talk to our G-7 counterparts when I get back. (S)

President Gorbachev: On Arms Control we can say we examined the issues. On aid why don't we say we had a full discussion of all aspects of the current situation and we will continue after we have heard a report from the G-7 deputies. (S)

-- End of Conversation --

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