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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: LUNCHEON MEETING WITH PRESIDENT GORBACHEV

PARTICIPANTS: The President
James A. Baker III, Secretary of State
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Marlin Fitzwater, Assistant to the President
and Press Secretary
Robert Strauss, Ambassador to the USSR
Ed A. Hewett, Senior Director for Soviet
Affairs, NSC Staff, Notetaker
Dennis Ross, Director, Policy Planning Staff,
State Department
Peter Afanassenko, Interpreter

Mikhail Gorbachev, President of the USSR
Boris Pankin, Minister of Foreign Affairs
Anatoliy Chernyaev, Foreign Affairs Advisor
to the President
Vladimir Lukin, Chief of Committee on Foreign
and Economic Affairs
L. K. Kayumov, Minister of Foreign Affairs
of Takzhikistan
Andrei Grocher, Presidential Spokesman
Yegor Yakovlev, Chairman, TASS
Peter Palashenko, Interpreter

DATE, TIME: October 29, 1991, 12:30 - 1:15pm
AND PLACE: Madrid, Spain

President Gorbachev: This is a great occasion. It was probably difficult to arrive at this point in the conference, yet even more difficult times are ahead. Everyone, of course, has an agenda. (S)

Jim Baker must be an honorary citizen of some of the Middle Eastern countries he visited, and of the Gaza Strip. (S)

Perhaps we will want to add some additional thoughts on these issues. I understand today that there was an attack against an Israeli bus. (S)

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President Bush: Dennis (Ross), is there anything more on that?
(S)

Mr. Ross: Nothing much more than yesterday. (S)

President Gorbachev: Perhaps we should clear up what really happened before linking it with the conference. (S)

President Bush: No one believes we should stay away and let the perpetrators succeed. (S)

President Gorbachev: This is a good location for the conference.
(U)

President Bush: Choosing the conference site was an interesting process. There were so many places that were off bounds because one or another party vetoed them. The Syrians vetoed the Hague; the Palestinians, Geneva. (S)

President Gorbachev: You spent the night on the plane. (U)

President Bush: Yes. I left after dinner with the Queen of Thailand. Barbara did not come. (U)

President Gorbachev: Please convey my warmest regards to her. I saw a picture of you talking to me on the phone at the end of the coup, with Barbara standing beside you. (U)

We'll be able to talk more about that later. (U)

President Bush: Have the perpetrators gone to trial? (S)

President Gorbachev: No. This is a very complicated matter.
(S)

President Bush: Yanaev was my host on the trip to Kiev. (S)

President Gorbachev: I know. (S)

President Bush: It is more complicated when you knew someone.
(S)

President Gorbachev: How do you think I felt? Yanaev was my friend from university days, 40 years ago. (S)

This just demonstrates how far we've changed our country. There was a big difference between his understanding of the situation and mine. (S)

President Bush: It was stupid to try to overthrow you. (S)

President Gorbachev: This is what generals do sometimes (pointing to General Scowcroft). (S)

President Bush: Are you pointing to Scowcroft? (S)

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President Gorbachev: But I mean bad generals. (S)

President Bush: If Brent Scowcroft wants my job, or Baker's for that matter, he can have them. (S)

President Gorbachev: I don't want to abandon my job. This is a crucial time. We've left everything behind, and to leave now would be to leave the country in a grave situation. (S)

All the superficial things you see are on the surface -- decisions, speeches, etc. They are not the crucial things. Speeches are not what we need today. The issue is how we actually make the transition to a market economy. It will be difficult. The social situation is very tense. (S)

But there is also a change. People are ready to accept hardship, if they believe there will be a better life. (S)

President Bush: I remember the last two times we met, you said that change is irreversible. Of course there will be bumps along the way. This may be an improper question, but do you have a concern about a second attempted takeover. (S)

President Gorbachev: I still think we have more chances, better chances, on our side. We just had a congress of workers from the entire country. I received a delegation from the congress. They're for the market. Most represent large factories. The first step they believe is to give shares to the workers so that they can share in the control of profits. They are ready to work in a market situation. (S)

They said that if we'll do that, then they'll support us in everything. Even in the defense industry, they're ready to accept reforms. (S)

If we move decisively, in coordination in our country, and also with your support, we'll get the situation in hand. (S)

But there might be real bumps, especially with the price liberalization. We need to struggle to resolve the myriad of challenges: 1.) price liberalization, 2.) a stable financial situation, that is, an anti-inflation policy, and 3.) stimulate entrepreneurs to start producing, to fill the market with consumer goods. (S)

We signed the economic treaty. Yesterday a Memorandum of Understanding was signed on debt. Yesterday and today I had calls from Moscow on this. It has been difficult, but they signed it. This morning I have a memo on my table about the agreement. (S)

The meeting between the G-7 Deputies and the Prime Ministers and Finance ministers of the republics was very useful for our country. I heard it was also important for the G-7. It was useful for us to learn, and to work in association with other countries. (S)

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President Bush: You were satisfied at the outcome of the meeting with G-7 representatives? (S)

President Gorbachev: Yes. (U)

President Bush: Ambassador Strauss filled us in on his conversation with David Mulford. I gather twelve signed...Bob? (S)

Ambassador Strauss: Mr. President, ten signed it yesterday... (S)

President Gorbachev: All twelve signed. Also there will be additional discussions with the Baltics because they hold a portion of the debt. (S)

President Bush: The Balts will never accept collective responsibility for all the debt of the USSR. (S)

President Gorbachev: We'll talk. I have set up three delegations to talk with the republics, led by Sobchak, Yakovlev, and Shevardnadze. They will discuss the entire range of problems with the Balts. Increasingly they (the Baltic leaders) are reminding us of the need for cooperation. (S)

President Bush: One area I'd like to talk to you is in working together on nuclear issues. I don't know if you got my letter, but I discuss there the whole concept of working together to guarantee security and safety of nuclear weapons. (S)

We see half way around the world republics making certain statements about nuclear weapons. I'd like to hear your view. This is a situation where the center has a role, and you have a stake. (S)

President Gorbachev: George, a lot of what you hear in the press is not reliable. The press may have a duty to say such things, but... We will talk in detail about the domestic situation. (S)

The voices you sometimes hear, even in the Ukraine...that's not the real Ukraine. For example, they criticized the economic treaty, saying that they would not sign it. Now they will sign it. (S)

I don't need to tell you what an election campaign means. Some people overreach in the process. Kravchuk says one thing one place, another in other places. (S)

President Bush: When is the election? (U)

President Gorbachev: December 1. Please be patient. Even Kravchuk has left no doubt on his position about the central control of nuclear weapons. The same is true of Nazarbayev. You need have no concerns. Everything regarding these weapons is

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100% under central control. No one can come close to nuclear weapons outside the central command. (S)

Yeltsin talked yesterday about the need for a common army. This an agreed point we have followed for a long time. That position on a common army is in the draft union treaty which Yeltsin and I sent to the republics. There is no intention to break up into national armies. We will talk more later. (S)

Secretary Baker: One of my jobs is to move the Senate to ratify START. We testified that this was going well. Then the Ukraine announced a 450,000 person army. Senators then ask, "What does that mean for the Kiev Military District?" I can't answer. This may be simply posturing in the style of democrats in the U.S. It's Strauss' fault. (S)

Minister Pankin: He's (Strauss) doing that now in Moscow. (S)

Secretary Baker: He's used to it. (U)

President Gorbachev: The President made the right choice (in Strauss) (C)

Ambassador Strauss: I'm the only real democrat. (C)

Secretary Baker: That's "Democrat" with a capital "D." (C)

President Gorbachev: I understand that what Ukraine has said echoes in Congress. The President may even have heard reports about discussions of a possible nuclear exchange between Russia and Ukraine. I worry how that is perceived. (S)

There will be total clarity in this as a result of military reform. Whatever variant we take, the Armed Forces will be under my control. (S)

I am also convinced that there is no other way regarding our foreign policy. (S)

But for both foreign policy and the armed forces, the single control will be implemented giving much more of a role to the republics. If, for example, the republics implement some specific policy, then that's better; it makes it possible to implement agreed-upon policies. I'd like to discuss more in our conversation. (S)

Please bear this in mind: we are establishing a new state. Actual responsibility in the country and interaction with our partners -- we'll find an optimum solution to all our partners, consistent with our interest and that of all our partners. (S)

Above all, we want to put an end to the totalitarian regime. This is our responsibility, our prerogative. You also wanted us to put an end to that regime. Until recently you, and many in my country, thought the changes were going too slowly. But we needed to prepare our society for these steps. All must

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understand that this is not an easy process. There will be mistakes in strategy and tactics. (S)

Some believe the current stage is "funereal." But I talked with an entrepreneur, a well-educated man, who is head of an association of joint ventures. He said, "Mr. President, you always say "crisis, crisis." But how else can you destroy a totalitarian system without crisis? (S)

I fought Pavlov, who proposed an "anti-crisis" program. How can you eliminate totalitarianism without a crisis? When Pavlov proposed an anti-crisis program, he was saying he was against changing the system. We sat around a table and listened to him. He was serious. He believed the kind of state we had was normal. But it had to be dismantled. (S)

It reminds me of a story from medieval times. A traveler sees something being built. One said to him -- we're carrying huge stones, which should be the work of slaves. Another said, we're building a cathedral. This is a time when you can hear all kinds of views in our country. There are democrats of all kinds in the country, and they now have a chance to implement real change. It is important now to preserve what was created after August. (S)

President Bush: There is no danger of going back to the August events? (S)

President Gorbachev: No. Things cannot get back to that stage. The real danger is unrest stemming from the dissatisfaction of the people. People are for reform. Those who attempted the coup opposed reform, the union treaty, indeed all we were trying to do. They could not accept the new kind of life, the new society. Our people in general are in favor of change, the market economy. (S)

President Bush: I'm worried about the army and dislocation problems. (S)

President Gorbachev: That is a problem. On October 21 I proposed for people released from the army that they get free land and a loan to develop that land. But there are even more basic problems. The army is just part of the problem. (S)

Well, I think they have served us all the food they are going to serve us. (U)

Ambassador Strauss: Before we go I want to thank you for your hospitality to me in Moscow. (U)

President Bush: Yes. Thank you very much for what you've done for Bob Strauss. (U)

President Gorbachev: We've never had that late-night supper and long chat I promised. I won't delay much longer. (C)

-- End of Conversation --

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