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PER E.O. 13526

2016-0117- M (1.01)  
10/2/2018 KBN

MEMORANDUM OF CONVERSATION

SUBJECT: One-on-One Meeting with President Boris Yeltsin of Russia (U)

PARTICIPANTS: The President  
Dimitry Zarechnak (Interpreter and notetaker)

Boris Yeltsin, President of Russian Federation  
Intrepreter

DATE, TIME: January 13, 1994, 9:00 - 9:45am  
AND PLACE: The Kremlin

President Yeltsin: Bill, I welcome you in the most friendly way. I am looking forward to this visit. I am sure it will produce much for both of us. I'll start with the situation in Russia. Of course, after the elections, things here have gotten complicated. Still, from last year's confrontation between our legislative and executive powers, we've moved toward stabilizing the situation on the basis of the new constitution. (S)

I inaugurated the first session of the Federation Council and set forth basic goals of the Federation Council and the Duma. The last few days have not seen any "scandals." But the line-ups before us in the two houses of parliament are different. The Federation Council is made up of two representatives for each region. We believe the Federation Council will follow the Presidential line. The upper chamber can send back legislation passed President Yeltsin the Duma. That gives the President additional advantages. Also, I have veto power so I can make sure laws are passed based on the constitution. (S)

The democratic forces are 80 percent of the Federation Council. That instills a sense of optimism. The situation in the Duma is not so propitious. The Democrats failed to pool their efforts and were not able to unify themselves in the election campaign. They committed lots of technical mistakes and ended up with fewer seats than we expected. (S)

The democratic parties hold one third of the seats in the Duma. If you add the Duma territorial representatives the total strength of the democrats is 46 to 47 percent. If the Communists join with the Agrarians and others, they'll end up with the same amount. That means neither side will have a clear majority. So we will have factional fights going on all the time. (S)

I still believe that gradually common sense will prevail. It is important that over the next two years, we develop a constructive approach in the interest of Russia and reform. (S)

We do not share the concern that is felt abroad with regard to Zhirinovskiy. He won on the basis of populist slogans and promises he can't keep. This is clear, and the voters will not fail to grasp it. I believe that unlike with the previous Supreme Soviet, I'll have to maintain more contact with the factions and leaders, as you're also doing. Your ambassador advises me to have tea and coffee with the various faction leaders and strike bargains with them. Of course its important not to overemphasize one faction. That will raise hackles with the other factions. I have been criticized for not swinging my weight behind Russia's Choice, but I did the right thing to let all the parties run on an equal footing. (S)

Early elections for the President are not on the horizon. Under the new constitution, the incumbent finishes his term in June 1996 provided I don't run for reelection. The issue of early Presidential elections has taken second place. (S)

Concerning those who backed the October unrest -- Rutskoy and Khasbulatov -- the procurator's office has presented written charges. Have you got any questions? (S)

The President: Thanks for the benefit of your thinking. It is of great interest to me and to everyone in the world. I have three observations: first, regarding Ambassador Pickering's advice about you spending time with the factions, I was elected with only 43 percent of the popular vote (although a large majority of the states). The Democrats have a narrow majority in Congress but are famous for not sticking together. Yet at the end of my first year in office, I have had more success than any President since Eisenhower. And I had to ask them to do hard things. The lesson is directly related to the amount of personal time with Congressional leaders. Even opponents are glad to be invited to the President's home and office. It's sometimes one of the most frustrating parts of the job, but it's worth it. The more time I put into it, the more I get out of it. You can't win over everyone, but can make big progress -- including with your opponents. I saw on the TV how they screamed. They'll insult you in the Duma, but they'll still be glad to be invited to see you. (S)

President Yeltsin: No doubt. (U)

The President: Many of those who voted for Zhirinovskiy decided at the last moment. It happens when people are frustrated and confused. They want to send a signal. In 1992, three percent of the voters decided in the last weekend to vote for Perot because they thought I would win, but wanted to send a signal. They knew I didn't need their votes to win. (S)

The reformers' campaign showed a recklessness I have often seen among our Democrats during a campaign. For years, Democrats

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would lose Presidential elections because they'd talk about government programs to fix problems, while the Republicans would talk about values and fears -- "We stand up for family, the greatness of America -- we're against crime." And they would get votes that Democrats might have won. (S)

The Republican strategy has often worked, and they have won more Presidential elections in recent years than Democrats, even though they didn't talk as much about concrete solutions to real problems. (S)

You rose to prominence because the people saw you standing up for them against things they were against -- not because you had a ten-point program. I think it was the image of you standing on a tank. Programs are important, but there are people in America who have insights that could be helpful. There might be benefit in having the reform bloc talk to our experts so that next time people who are worried about crime don't all vote for Zhirinovskiy. I leave it to you whether this could help. (S)

(Yeltsin nods)

This is not to change positions, but perhaps to change how reformers present themselves. You might send Gaydar or anyone else you choose to the U.S. to talk to our experts. I'll arrange a quiet meeting if you think it will help, OK? (S)

(Yeltsin nods enthusiastically)

If not, I'll drop it. (U)

President Yeltsin: Good. Let's do it. (U)

The President: I just returned from NATO, where everyone discussed the Russian elections. Many of the leaders there said don't overreact to Zhirinovskiy; others were afraid that the forces Zhirinovskiy represents are stronger than you have suggested. I believe it would be time well spent to have someone -- Kozyrev? -- give your view of these elections. It will help settle things down, deal with the unease, convince people of your perception and that you have a strategy. (S)

Finally, let me say something about economic issues. There is still an enormous amount of respect for you among the leaders with whom I deal, but there is an underlying theme: "Yeltsin is a great man, but he is fighting a losing the battle against the forces of history. It would be helpful for them to see that you don't believe that -- I don't believe it. We don't want people to have a stereotype of Russia that is frozen in the past. We want them to look to the future. So maybe you should invite some of them to Russia in the next few months. (S)

President Yeltsin: Thanks for that frank discussion. Next, lets talk about the reforms. We believe that part of the population voted for Zhirinovskiy because they were dissatisfied with the social policy. We have been concentrating on fighting against

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inflation. In December, it was the lowest it has been in a long time. This year we intend to stabilize the economy further and drive inflation down to five percent. At the same time, we will concentrate on the 12 percent of the population who are unhappy and who voted for Zhirinovskiy. They didn't vote for taking back Alaska, Ukraine and Crimea or for the fascism he embodies but rather because they are unhappy. (S)

Our goal is to broaden structural economic reform. Everyone feels the need to intensify movement down the road of reform and pick up the pace of reform. Out of an adult population of 115 million people, 50 million now have some form of private property. This is something we haven't seen in a long time. We've got to intensify privatization. Chubais was elected to the Duma, but he'll remain head of privatization because of his high professional skills. (S)

We won't be distracted President Yeltsin the same kind of confrontation between the two branches that we had in the past, so we can concentrate more on reform. (S)

In my upcoming February message (to a joint session of Parliament), I'll say that reform is still the main task. The focus now should be on breakthroughs in investment policy. Although investment from the U.S. is still not sufficient. We understand the difficulties you have. We are not asking for aid for our social needs. We don't want aid since that can lead to an anti-Western flareup. (S)

Incidentally, we are seeing signs of economic recovery. Conversion is going well. I recently had a conference with leaders of the defense industries. We agreed that 1994 will be the year of emphasis on civilian output of high quality. (S)

In Vancouver, we talked about the need for humanitarian assistance and investment assistance. That's not what we need now. How can we ask for U.S. aid to help with unemployment in Russia when you have unemployment in the U.S. too. But now help is needed for investment through companies and firms. Also in the rescheduling of foreign debts, and structural economic reform. We also need technical assistance in the destruction of nuclear weapons. Of the \$800 million (in SSD), I'm wondering about the possibility of ten percent being directed channeled to our research institutes that work on storage sites for the dismantled weapons. Senator Nunn was here recently and he said this could be done. (S)

Frankly, the work of the G-7 in Tokyo and the G-7 plus one has been very slow. The second tranche of the STF from the IMF has been delayed since August 1993. That concerns us. I read your speech in Brussels. It was a good speech. I agree 100 percent. But there is reason for doubt among the European leaders that we are really on the reform road. When you have ups and downs, that's part of the normal problem of any country in transition. (S)

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So far, there are still barriers to bilateral trade on the books in the U.S., though after Vancouver you accomplished a lot and I am grateful for that. Jackson-Vanik is still on the books, and that has stymied development of our trade relations. (S)

The President: First, I appreciate your reaffirmation of the overall direction of reform policy. You have a good team and a good policy. Second, you know I agree with you about the social impact and difficulty of transition. The rest of the world should be supportive and be sensitive. The thing is not to stop or slow down reforms but to be more sensitive to the difficulty. (S)

We've committed all of the Vancouver assistance package and distributed most of it. So the things that have been in our personal control we have moved quickly. On the second package, much is tied to the G-7. I too am frustrated and committed to moving it along faster. The international financial organizations understand too and are ready to move more quickly and flexibly if you are still committed to reform. (S)

Regarding the legal restrictions on trade and investment, we have done a lot but still have two big issues. On Jackson-Vanik, I too am frustrated. We have a whole history and a whole constituency invested in it. Now that they see we're both committed, they are holding us to the details. I have strong hopes we can get this done this year. (S)

President Yeltsin: Good. (U)

The President: Second is the question of how to become partners in the new COCOM regime. We are on the verge of getting that done. The one outstanding issue is the need for a clear sense from you and your government on arms sales to Iran. (S)

President Yeltsin: (Puzzled, turns to his notetaker) Iran, not Iraq? (U)

The President: Yes, Iran. (U)

President Yeltsin: Iran. (U)

The President: There are also three issues of diplomacy that affect my ability to influence the international community. First, Ukraine: It is a very great thing you two have done. It will help a lot. But we have to help him (Kravchuk) politically at home with the Rada so he doesn't get overruled on this. (S)

Second, NATO and Partnership for Peace: There were a lot of people in the U.S. and some in Europe who felt I should have given early membership for the Visegrad countries. And some who said, "it's a mess -- do nothing." But I believe your leadership gives us a chance to do something that has never been done since the rise of the nation state itself -- and that is have a Europe that is truly integrated and not divided. Walesa put it this

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way: "I know you like Yeltsin, but history is not on his side. Every second Russian is like Zhirinovskiy." (S)

(Yeltsin laughs ruefully)

Others did not agree -- they are for P4P. Support for P4P is rooted in large measure in their belief that you stand for the best future for Russia and for Europe. So it would help if you would say something public on that. (S)

President Yeltsin: I support you in that. It's a good proposal. We will support you. (U)

The President: The third issue is relations between Russia and the other states, especially the Baltics. On Georgia, people have mixed feelings. They are grateful to you for what you did to help Shevardnadze, but worry that before that some elements of the army supported the Abkhaz separatists. On the Baltics, there is support for withdrawal from Latvia, but concern about what will happen next. I know there's concern about Estonia and treatment of the Russians there. (S)

On Latvia, the issue is Skrunda. Russia wants five years to stay, and two years to withdraw; Latvia wants Russia to stay only three years with one year to withdraw. Let's agree to split the difference at 4 years and 18 months. On Latvia, the issue is Skrunda. If an announcement could be made on the Latvian issue, it would cut the legs out from under grousing in Europe over the future of Russia's relations with the other states. It would reinforce what the world wants to believe about the future of Russian foreign policy. It would go a long way toward wiping out that issue for awhile. I would take personal responsibility for going to the Latvians. I believe it would have a big positive impact on everything we're trying to do. (S)

President Yeltsin: We'll discuss it and I'll get back to you. (U)

-- End of Conversation --

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