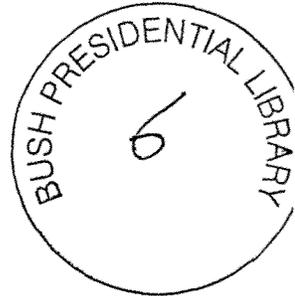


THE SECRETARY OF STATE
WASHINGTON

June 11, 1992



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MEMORANDUM FOR: THE PRESIDENT

FROM: James A. Baker, III *JAB III*

SUBJECT: Your Meetings with Boris Yeltsin

Boris Yeltsin comes to Washington at a critical moment in the Russian reform process, with the balance finely weighted between advance and retreat. He will be looking for strong U.S. endorsement of his leadership and his political and economic reforms. Pressure on him to slow the pace of reform culminated at the April-May Congress of People's Deputies. Recently, however, Yeltsin has undermined Deputy Prime Minister Gaydar's primacy by appointing four additional deputy prime ministers, one of them his equal in rank responsible for the day-to-day economy. This may signal a new emphasis on industry and employment at the expense of reform.

This visit should be designed not only to solidify America's relationship with Yeltsin, but also your personal ties with him, and will be important in the run-up to the Munich Economic Summit July 6-8. Our goals are to:

- provide the public endorsement Yeltsin seeks;
- encourage Yeltsin to move realistically with the IMF (especially on the budget deficit, money supply, exchange rate, and stabilization fund);
- urge him to speed development of a middle class through rapid privatization, distribution of land to farmers and other steps, including distribution of trucks of the military as it demobilizes;
- give substantive meaning to our new partnership by coordinating action on Yugoslavia and working together to promote new mechanisms to deal with, defuse and manage emerging ethnic-driven conflicts in Eurasia; and

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- achieve far-reaching additional reductions in strategic arms, de-activation and eventual elimination of all MIRVed ICBMs, and agreement on how to proceed on strategic defenses.

In addition, we need to put behind us vestiges of a past era and problems, namely, to resolve the continuing humanitarian claims of the KAL 007 families and the Lubavitcher Rabbi.

U.S. Objectives

We have negotiated with Ambassador Lukin a "Washington Charter" which lays out goals for both sides in building our "new partnership" in the fields of democracy, the economy and security. In your private sessions with Yeltsin you will want to explore each of these areas.

- Russian democracy remains extremely fragile. While Yeltsin is still preeminent, his efforts to establish a functional, democratic political process have so far had only limited success. Conservatives, led by Vice President Rutskoy and the military-industrial complex, are becoming more vocal and positioning themselves to offer an alternative to Yeltsin's democratic course. Yeltsin has attempted to coopt the opposition by bringing several industrial managers into key government positions. You will want to stress that American support for Russia depends upon continued progress in building democracy and that our new partnership must be based on shared values. At the same time, it will be important to express our understanding for the pressures he is under and our desire to avoid steps that would play into the hands of those trying to subvert moves toward democracy.
- On the economy, Yeltsin will likely seek support for quick disbursement of Western financial support, whether or not agreement has been reached on an IMF reform program. This will be the toughest part of the talks. We must walk a careful line between assuring Yeltsin of our support, while underscoring the critical need to work with the IMF. We need to stake out a position that recognizes that the "green eyeshades" can't simply dictate everything Russia must do without regard to Russia's political realities, while also making clear that Yeltsin can't retreat from his government's commitments on economic reform and expect help from the outside. We especially need to emphasize the importance of microeconomic and structural changes that will promote market growth and spur the creation of a middle class through privatization, land reform, demonopolization, and simple steps like giving Army trucks to demobilized soldiers.

- On security, the START Protocol opens the way for the further nuclear force reductions you and Yeltsin agreed on at Camp David. Our efforts to find employment for Russian nuclear scientists and to facilitate the security, safety and dismantlement (SSD) of nuclear weapons are proceeding well, with an SSD umbrella agreement likely for the Summit. The most pressing security issues we hope will be resolved prior to his coming will be the next stage of reduction in strategic offensive arms and potential U.S.-Russian agreements in the development of strategic defenses. You may need to engage directly with Yeltsin to get us over the threshold on each issue.
- You will also want to share our views on maintaining overall European security in the post-Cold War era. Yugoslavia will be key. Russia eventually supported sanctions against Serbia, but Yeltsin had to overcome resistance among Russians influenced by Moscow's traditional ties to Serbia. You will want to seek Yeltsin's support for our view of a new European security order, including a role for NATO forces in CSCE peacekeeping. Joint statements on Yugoslavia and nuclear non-proliferation in North Korea demonstrate that U.S.-Russian cooperation will continue to be an important, perhaps, essential factor in settling international conflicts. This will also be important to Yeltsin to demonstrate Russia playing a large role on the world stage with us.

Other Key Issues to be Discussed

The demise of the Soviet Union has led to heightened nationalist passions and increased ethnic conflict.

- The Commonwealth has neither provided a forum to manage tensions and resolve problems between the states, nor proven to be an effective vehicle for economic cooperation. Six states signed a joint security agreement at the recent Tashkent CIS Summit, but its implementation -- and implications -- are unclear. The management of Ukrainian-Russian disputes depends on strained relations between Kravchuk and Yeltsin. You should urge that Yeltsin continue to work directly with Kravchuk on the Crimean, Black Sea Fleet, and other issues.
- Among the ethnic conflicts, (b)(1)

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(We need

to raise with Yeltsin a response for Shevardnadze on the gasoline cut-off issue, particularly as the cut-off is playing into the hands of extremists in Georgia and undermining Shevardnadze's ability to defuse the situation.) While acknowledging Yeltsin's legitimate concerns, you will want to stress that the well-being of ethnic Russians in neighboring states can best be assured by positive and productive relations between Russia and the new independent nations -- beginning with the open and public recognition of their independence and sovereignty. A cooperative approach on economic issues is also important.

- After a preliminary meeting in Rome, problems involving participation of Azerbaijan, Turkey and the Nagorno-Karabakh Armenians threaten the holding of a formal CSCE peace conference scheduled to begin June 23 in Minsk. The conference will discuss deployment of CSCE monitors to the conflict area. It is important that the U.S. and Russia continue to support efforts to begin a serious peace process.
- While the Nagorno-Karabakh conflict does not directly involve Russian nationals, CSCE membership, the continuing presence of CIS forces in the region, and geography place a continuing responsibility on Russia to aid in resolving it. At the same time, anti-Russian feeling runs high in most of the former states. As a result, any CSCE conflict-resolution initiatives will have to balance the need for Russian involvement with lingering suspicion of Russian motives.
- Finally, tensions are rising between Russia and the Baltic States, which see no progress on the withdrawal of approximately 100,000 Russian troops. Russia is concerned, with some very good reason, about discrimination against ethnic Russians in the Baltics, and about how it would house and provide for additional returning troops and their families. We need to impress upon Yeltsin the necessity of concluding negotiations with the Balts on a timetable for withdrawal, while assuring Yeltsin that we will urge them to ensure equal rights for ethnic Russians.
- The Northern Territories remain a thorn in Russo-Japanese relations and the greatest impediment to Japanese economic assistance to Russia. Yeltsin, given his problems with the nationalists, doesn't want to be charged by them with "selling" Russian territory -- one more sign the nationalists will say of surrender by the democrats.

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You might offer as well our willingness to use our good offices to help create a process that responds to Yeltsin's needs, Japanese requirements, and also paves the way for a successful Yeltsin trip to Japan in September.

Bilateral Political Relations

In building a new U.S.-Russian partnership, we have sought to construct a network of interlocking relationships and agreements which will help bolster prospects for democratic, free-market reform in Russia.

- By extending MFN and signing Bilateral Investment, Double Taxation and OPIC agreements, we will have completed key building-blocks of a normal economic relationship necessary to enhance the Russian market economy and bilateral trade and investment.
- In signing the Open Lands agreement, eliminating ceilings on diplomatic personnel, and agreeing to open new Consulates General in Vladivostok and Seattle, we will be taking steps to open our societies and foster people-to-people contact.
- The Peace Corps agreement and a joint statement on POW/MIA issues underline our expanding bilateral cooperation.
- We may also be able to resolve the issue of the two unoccupied Embassy chanceries in Moscow and Washington, two most visible remaining symbols of the Cold War.

On the negative side, there are still several key bilateral issues that remain to be resolved:

- You should urge Yeltsin to move expeditiously to address the humanitarian concerns of the families of the KAL 007 victims and to release the Lubavitcher Library. On the Lubavitchers, Yeltsin made commitments to me in January, but the latest Russian proposal is worse than the Soviets' last offer on this issue. How can he do less well than Gorbachev on this vestige of the past? Frustration in Congress with these issues is growing and could harm U.S.-Russian relations.

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