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MEMORANDUM OF CONVERSATION

2 October 1989

SecDef Cheney and Soviet MOD Yazov and Delegations

Guide to Topics Discussed

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MEMORANDUM OF CONVERSATION

2 OCTOBER 1989

SECDEF CHENEY and SOVIET MOD YAZOV AND DELEGATIONS

(Ø) MORNING PLENARY SESSION, 1030-1200

Cheney: I want to welcome you again to the United States. There are important subjects to discuss which involve both of our militaries. This continues our military to military contacts, allows us to exchange views on peace and other topics of mutual interest and enhance our mutual understanding. My predecessor highly valued his three meetings with you.

I propose that we have discussions on 3 general topics:

- how decisions on national security are made,
- strategy, doctrine and future force structure of our military, and
- our respective defense budgets and what is in them in some detail.

I hope these discussions will prompt more discussions on other questions of interest.

Next we can discuss other topics of general interest: our ongoing dialogue and bilateral relations, arms control, and other issues on the US-USSR agenda.

(Ø) INTRODUCTIONS

Yazov: Yes, I understand. We agree to discuss these topics as you have presented them. I would also like to thank you for the invitation to come to Washington to have these discussions. This is the first visit of a Soviet MOD to the US. I would like to introduce the members of my party.

- Gen Maksimov, Chief of the Soviet Rocket Forces
- Gen Shaposhnikov, 1st Deputy Chief of the Soviet Air Forces
- Vice Adm. Kuz'min, Deputy Chief of the Soviet Naval Forces
- Gen Achalov, Commander of our Airborne troops
- Gen Lt. Burutin, First Deputy Chief of our Main Directorate of the General Staff
- Gen. Col. Chervov, whom you know well and who has travelled here many times
- and several others who have helped us to prepare.

In advance I would like to say that this is a goodwill mission and that we have no desire to have any confrontation on any issue. We instead, wish to concentrate on those issues which unite us. We agree that the issues you have proposed are important, and we agree to discuss them as you proposed.

- The Committee on National Security and Armed Forces

First of all I would like to say that we are pursuing perestroika and are dealing with a committee -- the Committee on National Security and Armed Forces -- similar to those in your own US Congress. It is thus with interest that we learn how you deal with your Congress. This is a unique experience for us.

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I would be pleased to tell you how our doctrine is being applied. When we met with your predecessor, Mr. Carlucci, he was taken aback by our defensive doctrine; at that time there had been no reductions of Soviet forces. Now there have been changes and they can easily be seen. We want to tell you about them and also tell you what is planned for the future. We can exchange data on budgets and information on defense requirements.

Cheney: Thank you for your comments. I would also like to introduce the very talented people that we have on our delegation and who helped prepare for these discussions.

- Mr. Atwood, formally with General Motors, manages the Defense Department on a daily basis. He will make the presentation today on the Defense Budget. He is also in charge of improving the management of the Defense Department.

- Gen. Powell is in his first day on the job as CJCS. Prior to this he served as the FORCES COMMAND Commander and was also on the National Security Council. He also commanded a Corps in Germany.

- Mr. Hadley and the others on my right have responsibility for Defense policy regarding affairs between the US and the USSR.

- Mr. Kanter from the NSC staff is my watchdog. He is here to keep topics to military discussions and ensure that these do not become negotiations.

- LTG Soyster is from DIA.

I welcome your goodwill visit. We can leave confrontation to our Foreign Ministries and others.

(~~2~~) NATIONAL POLICY AND NATIONAL STRATEGY DECISION-MAKING

Cheney: Now I would like to make the first presentation on how we make decisions on national policy and national strategy. In the United States the President is the head of state and also is the Commander-in-Chief. He sets the policy for the government. He is assisted in this by the National Security Council, perhaps analagous to your Defense Council. Our NSC is composed of the President, Vice-President, and Secretaries of State and Defense. The CJCS, Gen. Powell, and Director of Central Intelligence are advisors. Gen. Powell is the President's and my own top advisor on military issues. Each President determines who he wants in the NSC meetings, and under President Bush, the Director of OMB and the Secretary of the Treasury are also on the NSC. The President's National Security Advisor, Gen. Scowcroft, manages the NSC Staff.

Much of the work supporting the NSC is done by staffs in the Deputies Committee, which is composed of the second or third in command of various agencies, such as Mr. Wolfowitz, Mr. Eagleburger, and Mr. Kerr. The Deputies Committee is served by Policy Coordinating Committees which prepare papers for review by the Deputies Committees. The papers serve as the basis for discussions at the Deputies' Committee meetings. This system was used in the National Security reviews which took place earlier this year at the President's direction.

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I meet on Wednesday mornings for breakfast with the National Security Advisor, Gen. Scowcroft, and Secretary Baker to discuss policy issues. While these are not formal meetings, you can imagine that a lot of work can get done. Here we coordinate foreign and defense policy to implement the President's policies.

Congress plays a major role in providing for and maintaining our military and has a major responsibility in approving the DoD program and authorizing and appropriating funds. This can sometimes be a frustrating process. Congress does not always do things as I would prefer. Answering Congress is one of the strengths of our systems. While at times it may seem easier to do without them, having their help can build public support. Answering questions and explaining policies provide a test of the credibility of our policy. National security policies which do not have broad public support cannot be sustained over time. Congress is representative of the people. If we can make our case and be persuasive in the reasons behind our policies and the requirements for funds, then we can get Congressional support, and this is vital to broad public support for national policy.

All of our Armed Forces are voluntary. Public support is key to our attracting and retaining quality people in our Armed Forces. We need such a base upon which to build an adequate capability for defense.

Perhaps I should stop here.

Yazov: I would like to say now, after I have heard you, that our forces have many common features. You have a President which is your Commander-in-Chief, and we have the Chairman of the Supreme Soviet to whom we report.

Like your National Security Council, we have a Defense Council which has many members. The Defense Council is chaired by the Chairman of the Supreme Soviet. Members include Premier (Chairman of the Council of Ministers) Ryzhkov, the Minister of Foreign Affairs, the Minister of Defense, and the First Deputies to the MOD.

Working under the Defense Council is the Main Military Council which advises the Defense Council. Its members include: all CINCs of the Branches of Service, chiefs of the fighting services, and Commanders of Military Districts.

The Defense Council meets 2-3 times per year to address central issues, and the Main Military Council meets once a year--usually at the end of the year in December--to make a critique of the training of military forces at the end of the year.

We now have a legislature which is called the Supreme Soviet, and it has a number of committees. I won't tell you of all of the committees, but will tell you of the Committee on National

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Security and Armed Forces (Defense). It has military members: Marshal Akhromeyev, Gen Shabanov, Commander of the Baltic Fleet and a number of lower ranking officers--not low ranking, but not as high as some others. There are many civilian members on the committee which represent various sectors of Soviet Society--industrial managers, people from design bureaus, miners, engineers, workers, and so forth. These members are all selected from those in the Supreme Soviet. We have not yet worked the full procedures of how these committees will relate to the MOD.

The budget is proposed by the Government and given to the MOD. The budget is starting to be addressed by the Finance Committee and the Committee on National Security and Defense. So far there is no quarreling, but these committees are nevertheless giving summons for people to appear before them to answer questions.

It is known that all weapon systems eventually become obsolete and must be replaced. The committee members must be educated about this. Right now they ask "why do you need more missiles? You already have a lot of missiles." Of course missiles come to the end of their service life and must be replaced with new systems.

To our regret we did not train our committee members very well. They do not understand that military equipment must be replaced. In the US, your members of Congress are trained or experienced. Our Finance Committee wants the Defense budget slashed by two times [believe this means cut in half]. We are in for a great deal of work to explain why money and systems are needed.

We do not conceal from them the systems of the US and the armed forces of NATO nations. They must know that the world is interdependent [that Soviet forces are a response to NATO forces]. The Congress of Peoples Deputies asks us how much the US spends on defense. When we tell them \$300 billion, their eyes get very big. When we compare, however, we are afraid that the comparison may lead to a new arms race. We must explain that while the US spends much more, it gets about the same.

Excuse me for a small reservation, but many members don't understand an army of conscripts compared to a professional army. Many believe a voluntary force costs less. Today we must build a military under the security of the entire population. Everyone in our country has his own idea on how to construct our military. Many are speaking out with these ideas. Now there is heated talk on what type of army we should have today. There are many problems with this issue right now.

Our economic potential is not comparable to that of the US. There are more problems than prospects to solve them.

Cheney: Thank you for your comments. We believe that one of our strengths is the openness and dialogue in the US over our defense budgets and policies. This should be reassuring because we have have to explain and defend policies and requests openly.

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We have welcomed greater dialogue, glasnost, and perestroika in the USSR. We noted with interest the release of figures on your defense budget. However, release of more specific information would enhance our understanding. Do you anticipate release of more information?

(c) SOVIET PRICING/PRODUCTIONS/BUDGETS

Yazov: This is not an easy question to answer. There is a different status in our two societies and economies. I would underline the difference in the price structure of our two systems. During an interview with a Western reporter, I said that when one works in the US, he gets paid for what he does and then pays for what he gets, while in the Soviet system, much of the funds earned are made public funds, with nearly free housing, medicine, schools, and even now it is possible to go to a sanatorium [vacation spa] for no cost. There are many differences. Because of these, the prices do not show the true costs.

The costs of military hardware is different. The cost of weapons systems is different. We spend 35 billion rubles on military hardware, while the US spends \$100 billion to get comparable numbers of weapons.

What is the average wage in the US--about \$1000 each month? In the USSR it is 200 rubles. If you take the costs of coal, steel, and other items, and figure the costs, they come out much lower in the USSR than in the US.

We are transitioning to a new system of self-management and prices. Prices and wages will keep rising and the costs of weapons systems will thus continue to rise. Under perestroika the MOD is shifting to a contract system of purchasing weapons systems. This is a major change. Eventually the prices in the US and USSR will be [roughly] comparable; but now the figures [which we use] are accurate. Now the 72 (sic--77.3 announced publicly) billion ruble budget figure for the USSR for this year is what is spent [under the current pricing system].

One reason for the difference between the 72 billion rubles for the USSR and the \$300 billion for the US is that the USSR has conscription. A Soviet soldier gets no real pay--he only gets a few rubles for a haircut or maybe some cigarettes. I don't know what a soldier gets in the US, but personnel expenditures are about \$80 billion. Your soldiers are well paid. In the USSR, personnel expenditures are 8 billion rubles, ten times less.

One should not compare our militaries by only looking at budget numbers, and one should not conclude that the USSR is concealing information.

Amb. Dubinin: We are concerned that the US understand the difference.

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Yazov: When I say the US spends 300 billion, people are surprised. When I explain what each side buys with their respective funds, they understand and are mollified.

It would be good to have representatives like Gen Powell and the Soviet General Staff explain the differences to our public and that our militaries are not preparing for war. We are spending for defense.

Cheney: Thank you for your comments. Exchanges of information enhance understanding and serve to reduce tensions. When we pursue military contacts, I hope we can exchange information.

(4) Strategy/Doctrine/Forces

Cheney: Next I will ask General Powell to talk on strategy, doctrine, and forces. It is important to talk about and understand each other's doctrine and strategy. It will add to our confidence and understanding.

Gen Powell: Thank you Mr. Secretary. I wish to extend my welcome to your group. It is good to see you again.

In the next few days you will have an opportunity to see troops in various facilities in the US. I have met with Soviets many times in the past. And I have also met with MOD Yazov several times. And General Achalov, I believe we were neighbors some time ago when I commanded V Corps and he commanded the 8th Guards Army. We were only 115 kilometers apart.

Yazov: Gen. Achalov was the Commander of the 8th Guards Army. This was the Army of Zhukov which has a very distinguished history. It was the most seasoned army of the Second World War. We knew you [Gen Powell] and had a picture of you when you commanded V Corps and were a young good-looking chap.

Powell: That was a long time ago. Now I have lots of gray hair. I also had a picture of Gen. Achalov on my wall, and I pointed it out to people and said "that is my neighbor, Gen Achalov."

Yazov: Excuse a personal question Gen. Powell--do you have a PhD in science? [During a tour of Washington on 10/1, MOD Yazov insisted--despite the US escort officials expression of doubt--that Gen Powell had a PhD in physics, saying that Gen. Powell had told him so during a visit to the USSR; Yazov may have confused Gen. Scowcroft and Gen. Powell.]

Powell: No. Only a Masters degree. My education is not as distinguished as that of my colleague Gen. Achalov.

Dubin: You must be very proud to be such a young grandfather. [chuckles]

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Powell: What Secretary Cheney said about strategy was important. Strategy is the wisdom of people and their thinking. Their view of the world is constantly changing and their views are sent to elected representatives and influence elections. The President conveys US National Security Strategy to the people in an unclassified document with this title, which I helped prepare while assigned to the Office of the President.

This document tries to convey to the people and others goals, values, and what he hopes to achieve. When the Department of Defense gets this document, the CJCS and JCS prepare advice to SecDef, the President, and the NSC on military components of the strategy.

I am the principal military advisor. I do not command any forces. I advise and work with other advisors--the Vice Chairman, the other Service Chiefs, and the Service Secretaries. We make our assessments of other nations and potential threats. We make our best judgments of the situation and offer our best advice.

Our strategy has not changed much since the end of WWII. Our doctrine, tactics, and forces have changed, but the strategy has remained much the same.

The Chairman works with the commanders and advisors and prepares our best estimate as a guide for Congress and the people on national military strategy. We provide this document to the SecDef who then adds his own comments and forwards it to the President. When the President approves it, it comes to the SecDef and then to me to distribute to the CINCs. This is also incorporated into the Secretary's Defense [Planning] Guidance which guides the Defense budgeting process.

We also work on strategy in conjunction with our allies.

The doctrine of the US belongs largely to the Services. They develop and implement it. A recent trend in the Department has been the emphasis on Joint Doctrine. As I am sure you are aware, in a modern military environment, there is a greater need for cooperation between the services. This has expanded the need for Joint doctrine. Recently we have undertaken efforts to develop such a Joint doctrine.

There are constraints on the resources we have available to carry out our strategy and doctrine. As I am sure it is with all militaries, we always want more, in order to do what we are asked to do. Constraints have become more binding in recent years. The people [public] want more spent on drug control and other important programs. This has affected the defense budget and thus has affected our forces. We have had a 14% reduction in our budget in recent years. We will not be surprised if there are further reductions.

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Yazov: What lies at the basis of your military doctrine?

Powell: The basic value is the preservation of the US as a free country, the defense of our people, and the desire that there at no time be a threat that could result in the extinction of our country as we know it. This freedom is very important to each of us; Lincoln wanted to preserve the Union, as you know.

Yazov: I asked this question in order to show what we have in common. You work to preserve peace and security in the US. We work to preserve peace and security in the USSR. We can both say our doctrines are defensive doctrines. We are not preparing to declare war on any nation.

The USSR will never be the first to use nuclear weapons. Why won't the US pledge not to be the first to use nuclear weapons? This would add to the peace and security of the entire world. It is wrong to sit on a heap of nuclear weapons. It would be appreciated by the people of the world to reduce these weapons as we are doing in implementing the INF agreement. If we follow this road, our doctrines will pursue common goals towards peace. Our nations and other nations will be seeking peace and non-proliferation.

We are not sure and you are not sure that no other nation is pursuing nuclear technology. Not long ago Israel tested the launch of a missile with a range of 300 kilometers--if this was not for use with a nuclear warhead, then why a missile of that range? India tested a missile to 2,500 kms. Iraq has tested a long-range missile. They would not need these long range missiles if there were no nuclear weapons. Many nations are seeking nuclear technology. More danger might come from third parties than from our two nations.

Cheney: We believe that nuclear weapons and deterrence have contributed significantly to maintaining the peace in recent decades. In WWII it was conventional weapons that caused great slaughter until the very end of the war. Nuclear weapons are key to our strategy of deterrence.

We are prepared in START--similar to what was done in INF--to reduce nuclear weapons. But, I don't see in my lifetime the elimination of all nuclear weapons. We seek to reduce nuclear weapons and work for non-proliferation of nuclear weapons and restriction of missile technology proliferation. We are concerned by the Afghans (Afghanistan Government) obtaining SCUD missiles. We are worried by chemical weapons technology.

It is important to limit nuclear weapons as a goal, but I don't see elimination. Deterrence has been based on the ability to use nuclear weapons.

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Yazov: I am not talking about eliminating all nuclear weapons tomorrow. We must work to reduce them by 50%. If we are serious in negotiating nuclear reductions, this will act as a restraint on third parties.

Recently, Prime Minister Thatcher said that nuclear weapons could make war more distant. To the extent that fear of war makes it a distant future, this may be true. At the same time, unless we take steps to limit nuclear weapons, proliferation may make things worse.

We must not give nuclear technology to anyone. Even without US or Soviet technology, some nations may be able to build nuclear weapons. As an American scientist said, if nuclear grade plutonium is available, it is not a problem for someone with a 5 year polytechnic degree to build a nuclear weapon. Plutonium is available in commercial nuclear power generation plants. We are in danger of proliferating nuclear technology.

Chernobyl was not an explosion, but was a problem created by the superheating and escape of plutonium in the air. We have spent over 9 billion rubles to overcome the problems caused, but have still not completed this. We have removed soil, vegetation, houses, roads, etc., but we still have a problem.

There are a lot of nuclear power plants, and even a conventional war could be a catastrophe. We look forward to hearing what you have to say on how we should seek to eliminate war.

There is a measure of mistrust which gets spread within our alliances and to other nations. Proliferation of missile technology is a serious problem. A long time ago we sold SCUD missiles to Libya and Iraq. Iraq, with the help of others, boosted the range of the SCUD from 280-300 kms to more than twice this range and hit Tehran. We must be careful about arms transfers.

In Bucharest, the Warsaw Pact Consultative Committee said alliances should be called political-military alliances, not military alliances. We want to resolve issues through negotiations.

I am a graduate of war. I was witness to many deaths. War is a painful trial for the people. We cannot accept such a trial. We still have not healed from the destruction of the last war. Belorussia still has not recovered what it was before. Our military gets its tasks from the political leadership

Cheney: I have visited Leningrad and laid a wreath there. The Soviet people certainly have first hand knowledge of war, and we hope they never experience it again. I also visited Chernobyl for a day in 1987. No one should doubt that the President will do all in his power to ensure there is no war. Negotiations enhance understanding on both sides. One reason we are interested in SDI is because of missile proliferation. We are pursuing SDI to shift from offense to defense.

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I was also briefed in the USSR on Chernobyl, as to what happened and the costs. The accident was tragic. The President, DoD, and the American people are committed to seeing that this does not happen again.

We need steps to ensure that proliferation does not continue in the Third World. The President is moving ahead with SDI and other systems to seek a shift away from offensive systems.

Now, I notice that it is almost noon. I suggest that we adjourn for lunch.

Yazov: If we are serious about working for peace, maybe we should skip lunch and continue to work.

Cheney: We can postpone the lunch, but the search for peace is a long one and we might be more successful if we did it on a full stomach.

Yazov: We can continue after lunch. You are the host and I am the guest.

Cheney: Then we will adjourn.

(2) Second Plenary Session, 2 October 1345-1540

(2) DEFENSE BUDGETS AND PRODUCTION

SecDef Cheney opened the afternoon session by asking DepSecDef Atwood to discuss the budgetary process in DoD.

Atwood - Within DoD all agree there is a tremendous amount of Congressional scrutiny of everything we do. We develop Defense Guidance to the Services setting out how they will fulfill our security strategy and defense strategy, about which we spoke this morning, in terms of manpower, materiel, and new developments. Based on the Services' inputs, we put together the anticipated budgetary costs in the 1-2 year budget, and the DoD 5-year outlook. Then we go through an exercise of shrinking those costs down. People programs are the most important--pay, family care, training and increased readiness. Our budget has shrunk now in real terms for the fifth year in a row. We have two options for making those cuts:

- The undesirable option is not to spend so much, and to stretch out programs, which sends unit costs way up.
- The better way, which SecDef and I have implemented, is to find what is the least cost-effective, and cut it out.

DoD then submits its budget to the President and he incorporates it into a total Federal budget package to Congress. The big difference from a major industrial organization such as General Motors where I worked previously is that in industry because of the competitive nature of business we tend to be very secretive about our budgets and plans. In DoD there are no such secrets and plans. The Secretary's Report to Congress is published information [illustrated with Carlucci's FY 90 Report to Congress and offered to provide copies to the Soviets], and we also send Congress detailed reports on the budget.

Any time we cut a program or close a base, someone in Congress represents that area, so we have a long and tedious process of negotiation.

At the same time as we are tied up with Congressional hearings on the FY 90 budget, we are getting ready for the FY 91 and 5-year forecast. This is quite an exercise, one that makes us consider if we really need a program or system. My job is to make things cost less.

In the atmosphere of today there is a tremendous feeling of great hope and expectation for lasting peace, the friendship between the US and the Soviet Union seems to be developing, and there is a consequent desire to cut back in defense spending.

MOD Yazov: I got the point about the situation which is associated with debating the defense programs. Unless you consult certain Congressmen, their constituents, interested in providing jobs for people, you won't have the proper atmosphere. I fully associate myself with you. However, I did not understand the last thing you said. Would you please repeat it?

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Atwood: Some say there is too much micromanagement, but the budget process also does us a lot of good, because it forces us to consider, do we really need this or that program?

Yazov: I got your point.

Atwood: Do you go through a similar process in preparing your budget?

Yazov: The process you described, I believe, that's the rational, the best way. Recently we started the same procedure. We demanded we be provided with the requirements of each of the five branches of our service (army, strategic missile forces, air defense forces, the navy, and the air force). We listened to reports of all these branches on their needs, how many missiles became obsolete, what new projects should be constructed. We discuss how much money should be given to the upkeep of the services in general--for military pay, upkeep, clothing, ammunition, and technical training. We are making the necessary calculations, drawing up a plan, and exactly like you do, sending it to the Supreme Soviet committee. But the US has long experience of this, while we in the Supreme Soviet have just started to pick this up, and members of the Supreme Soviet experience such euphoria in the process that to confirm their new responsibility they threaten to vote against the MOD plan.

There are some classified points in it, some secrets. The more secrets we have, the more the deputies pay attention to that.

For example, you do not publish the information on the CIA and DIA budgets, you don't go into details. We also have proper secrets. The more secrets we have related to defense projects, the more eager the deputies are to arrive at the "truth" on every aspect of the budget.

Even on the US scene, it is difficult to arrive at the cost of any particular project, because it depends on who makes the product. Prices and productivity in military and industrial plants differ from civilian industry. We have the same situation in the Soviet Union.

In recent years there has been acute interest in the money problem on the part of research institutes doing basic research and R&D. There is great interest in the defense-related projects. A lot of organizations are begging for money. But we can't afford to meet all their requirements. We have to fund only those projects that show promise, that are serious.

Do you have problems dealing with research institutions doing basic research? Is it funded by firms or by DoD?

Atwood: Much of the basic scientific research in this country is done by universities, funded by their endowments, or outside grants. Some is done by commercial firms. Basic scientific research is only to a lesser extent funded by DoD. We have our own national labs, largely funded by DoD, which do some basic research, but do more applied science than fundamental/basic research. Most industry

does very little basic research, and little applied science. Mostly, industry concentrates on development.

Our problem is sorting out the potential applications of research to see what is worthwhile.

We in DoD may see an industry we would like to have strong, yet we cannot afford to be supporting all such industries. Three of our largest defense contractors are also heavily in commercial sales.

Yazov: What about MX research? Is it funded by DoD?

Atwood: We fund the development of systems ourselves, through all the four phases of development: conception, demonstration and validation, full-scale development, and production.

Previously, DoD would fund the early phases but not the completion of a system: we would give the contractor a fixed-price contract. This is the wrong approach, which SecDef and I have now changed. If we want a quality product, we have to put in money up front, and fund the project all the way through.

Yazov: Our procedure is that we agree on producing a certain category of weapons system, we talk to the design bureau and arrive at a figure--say half a billion rubles--for this system. But then the design bureau may have spent the money, and we get nothing in return. So sometimes we have had to pay a lot more money than we originally decided. Do you have the same mishaps?

(SecDef : Never. [Laughter])

Atwood: No, not all the time. [Laughter] A good program manager meets the targets. A mediocre program manager lets targets slip, and a poor program manager produces nothing. We need full-time managers who run the program, not sell it, and who discipline the process, making sure it meets criteria at every step.

Yazov: We also apply discipline, and try to go by a schedule, but sometimes a certain scientific organization gets into a jam. It started research in one direction but failed. We have to face such situations now and then. While some other organizations go through the process very effectively. So it is very difficult to plan how much money should be required for this kind of work, because we have not had an "exact mechanism" for drafting the plan. For example, at one point we were confident we had manufactured the best plane in the world, but time has elapsed, and now some want a new system when we would only have to modify it--the MiG-29, for example.

Cheney: I am curious how you decide just how many missiles to buy, say SS-24s and SS-25s.

Yazov: In order to decide, we start with how many in principle we have decided to possess. If we have a certain number of regiments, missile armies, etc., the number of weapons needed to supply those formations is decided by "superior echelons" and given to the design bureaus. We believe the service life of a missile is 20 years.

We proceed from this, so we know how many missiles have to be phased out and replaced. Aircraft, and their engines, also have their service period. For some it is 25 years, for others 35 years. So depending on service life, we make the decision to replace them, with due account of the war fighting capacity of, for example, the replacement plane. Two MiG-27s might have the capability to replace ten Mig-17s, though their missions are the same, for example.

The deputy commander in chief for armaments of a service is the service's chief engineer, who keeps logs of all the service's military equipment and its technical condition, and gives projections of future requirements. The Minister of Defense also has his deputy dealing with armaments. At this level we analyze the requirements that come in from each military branch, which are always very big. But at the highest military level we are more realistic, because we know our capability. We tell the services they will get no more than this amount, and make them limit their requirements. The services then revise their requirements.

We calculate how much money is necessary for tactical training and ammunition. We provide for natural losses: planes are heavier than air, for example, and sometimes drop to the ground. The amount of money needed for the upkeep of personnel does not change radically, because it is only subsistence. POL stays the same annually. The main part of the budget goes for buying weapons systems. We have lots of problems in this area. We have to face the problem of the technical equipment of the industrial base, which differs from factory to factory. Some facilities are more efficient; some are obsolete. The same type of aircraft can be more cost-effective if produced at one facility rather than another. For example, we have just completed a new industrial facility, but to turn out the best quality aircraft we should give the plant at least a decade to train people and do the highest quality work.

We also have to consult the State Planning Commission on the delivery of natural resources. It has a military directorate that cooperates with the MOD, and we get information on the raw material situation from them. We base our judgements in planning on this.

Cheney: We've seen public statements about the Soviet proposal to cut the military budget by 14%, and reduce its percentage of GNP by one half to one third. If one divides the budget into manpower and procurement, which will have the most significant cuts?

Yazov: The most significant reductions will be at the expense of hardware acquisition--about 19.5%. There will be a small reduction by demobilizing manpower. However, during the first year of manpower reductions, we will not save any money, because officers retiring on pension are paid five month's salary as severance pay. We will also reconsider the funding of research work, and will prevent each institute from making its own plans. The MOD

will fund only those projects where we're feeling assured of their success.

While we are saving some manpower, we will also save on equipment for them. So in general, reductions will be on the order of 10 B rubles. The exact amount is hard to know to the last ruble.

Atwood: We find that if we have an industrial organization that is doing considerable business in the commercial world, and if we treat them as a defense contractor as they would be treated in the commercial world, without all the oversight and checking that has been added on in the past, we get better results. Is this something you are considering doing?

Yazov: Our enterprises get approximately 40% of their orders from other ministries, and are turning out consumer goods for the national economy, so as military orders decrease, those industrial facilities will be turning out 30-40% military production and the remaining 60-70% for the consumer economy. The enterprises are not pleased because their technological base is equipped for military hardware, and not all facilities are readily accepting this decision. Some managers are saying that in order to switch, they need one or even two years to convert, depending on what kind of products are being planned. Facilities making the Pioneer missile (which we are now destroying) required 1-2 months to switch to washing machines. But facilities will have lots of problems switching from tanks to agricultural machines, for example. They can't discontinue military production today and produce sausages tomorrow.

Cheney: At the end of WWII we found that it was sometimes easier to tear down old plants and build new ones. Have you had that kind of experience?

Yazov: Yes, we have had approximately the same experience. In some areas it comes down to an absolutely new working shop. We have accumulated a lot of problems. There are other kinds of problems too. In the Great War, we moved a significant part of our industry to the Urals and beyond, along with part of our population. After WWII, those facilities stayed, but the people wanted to go back to their native towns. So we had to mobilize farmers, and attract them to work at those plants. The result was that many farmers left the farmland. In the US, the mechanization of agriculture was very gradually developed, to the point where a small percent of the population can feed the rest of the population. We did not experience this. It happened quickly after WWII that a large part of the population left for the cities, and we got a certain disproportion between industry and agriculture, which we feel even today.

A second problem stems from the same history. We concentrated industry in major cities and towns of the Soviet Union which grew fast, and over 20 cities became home for millions. For example, my native Omsk in Siberia has a population of 1.2 M now, and there are only 300,000 people in the rest of the region of which it is the capital. We are now experiencing the problem of how to feed

all the population in the cities. Another example is that there are almost 2 M people in Yerevan, capital of Armenia, while there are only 3.5 M total in Armenia. We are serious about trying to solve those problems.

Our defense budget is not approved yet in final form, but the mechanics of debating it in the Supreme Soviet and debating your budget in Congress are similar. The budget will always change and be modified because of inflation, wage increases, and a new pricing process. We think the US and Soviet militaries will never have a dull life.

(C) BILATERAL DEFENSE/MILITARY RELATIONS

Cheney: General, we are very pleased with the progress in the two-year Crowe/Akhromeyev program of military-to-military contacts. My understanding is that when ADM Crowe was in the Soviet Union he and GEN Moiseyev worked out how we would pursue at the staff level deciding on a future program. One area where we do have continuing concerns is that of our Attaches in Moscow, and their relative ability to get out, travel, and visit facilities. Last year we had 16 trips for the attache corps here, and they visited 35 military and production facilities. There were 3 trips in the USSR. We wonder if it is possible to explore further similar access for our Attaches?

Yazov: There is not doubt about that. We can do that. The meeting between Moiseyev and Crowe and the signing of a new agreement is of great importance for both sides. At the outset we regarded coming to military and production facilities as an impossibility, but it has quite easily turned into reality. We will have verification visits. I do not think it is a problem because we can resolve it. GEN Powell and GEN Moiseyev inherit the Crowe/Akhromeyev program and will work to promote military-to-military contacts. This work should be moved forward. I think we might agree on a visit of warships at Vladivostok, on a plan for a US ship visit to Leningrad, and on a Soviet ship visit to the US. We can also exchange visits of servicemen, from GEN Achalov's 8th Guards Army and the corps formerly commanded by GEN Powell. Say, 10 soldiers. When one meets with war veterans in the Soviet Union, one feels their most memorable moments were meetings with US war veterans. Now the meetings with US servicemen, when, for example, you made you ship visit to Sevastopol, will be the most memorable moments for current servicemen. After all, you do not want a war, and we do not intend to go to war, but how can we become friends if we do not meet? Do you agree?

Cheney: I do indeed.

Yazov: One concern we have is with single or group missile launches. No one would lose anything if we agree to provide prior notification. [Note: although translator did not convey specifics, reference may have been to cruise missiles.]

President Bush's Open Skies proposal can also be approached most favorably. We agree to tackle any problem on the basis of a proper balance of mutual interests. We will be reprimanded by our publics if we make concessions. But so long as we have a mutual interest we will be supported.

Agreements should not be at the expense of third parties, and should not be directed against other parties.

We could agree to annually modify our program of exchanges for the coming year, and could agree to do this through the defense attache channels. Our proposals would pass to GEN Powell and be returned to us. Thus mutually acceptable solutions can easily be found.

(P) ARMS CONTROL

Cheney: We hoped to spend some time talking about arms control issues, and perhaps regional issues. We're deeply interested in moving ahead on a whole range of arms control negotiations. We hope the pace will be maintained, and that we can conclude CFE close to the timetable the President suggested. Do you anticipate any problem with this?

Yazov: We are in favor of the arms control process, and are for verification. But the most important thing is mutual interest. President Bush's proposal on tanks we agree with. His proposals on infantry fighting vehicles and on artillery could be easily resolved too. But aircraft are a more difficult matter. You are putting beyond the process naval aviation. So long as you have naval aviation, we have to possess a certain amount of fighter-interceptors. We might agree on 2000-4000 aircraft on each side. Soviet fighter-interceptor planes are equipped and armed to engage in air-to-air combat only. We would not want to have fighter-interceptors included in the negotiation process. If you insist on doing so then--why not?--we shall also count all the carrier-based US aviation. So this is a serious issue.

A second serious issue is the problem of manpower for both sides. We could agree to 1,350,000 for both sides. But how then would we count the British, Dutch, French, and Belgians? Would this be 160,000? NATO would get a serious advantage right away.

There are verification problems. When we concluded the INF treaty, we agreed to permit inspectors to visit bases and facilities. We could also agree on verification here: the procedures are not that difficult to arrive at.

We think that the CFE negotiations will succeed so long as we have mutual desire. At the table now we have figures that unilaterally take into account the interests of the sides. But we can't count only US and Soviet manpower. So long as we have two alliances we need to throw the numbers of the two into the process.

Cheney: Of course, in our original proposal on CFE we had no numbers for aircraft and manpower. In the President's initiative we felt we made major concessions to the Soviet point of view in agreeing to include these. We feel very strongly on crafting a definition of aircraft. Our position is to include all combat aircraft. On manpower, it remains our point of view that superpower reductions would have a very positive effect, and would move us

close to parity. The Allies should not constitute for the Soviet Union the same kind of problem the US does. The superpowers are the only ones with significant forces outside their national territories in the ATTU area.

On START, we were pleased with the progress in Wyoming. We took the initiative to negotiate on mobile missiles, and we noted with some satisfaction the Soviet decision to dismantle the Krasnoyarsk radar. We believe the decision by the Soviets to delink the START and space and defense negotiations was also a positive step.

We still have many remaining significant issues: how to deal with cruise missiles; how to verify if cruise missiles are nuclear or conventional. The problems are still with us, and are not resolved.

Yazov: We have proposed that both sides have 1,350,000 men in the ATTU region. If manpower is not to be limited, what should be limited after all? In any warfare, the manpower element is the first priority. Just look for the logic of it. We are not in favor of limits on planes and men without paying as much attention to missiles. Once we conclude a START treaty with limits of 1600 launchers/warheads but with no limits on cruise missiles, we leave an arms race on cruise missiles open, and you, the US, will have an advantage.

Cheney: We have proposed a declaratory statement to Congress which would be binding on us. For air-launched cruise missiles we agree something would be appropriate, but the debate focuses on counting rules and range. We are not going to solve the problems here.

Yazov: What we are doing is engendering a medium and short range problem with cruise missiles also. These would become strategic missiles from the point of view of the Soviet Union if they were in the Baltic or the Mediterranean. What is the point in reaching a START agreement if at the same time there are missiles on ships? What difference does it make to Murmansk, if a missile hits it, whether it comes from the continental US or a ship? There is no taking account of the interests of the Soviet side in this. If you insist on having 1000 cruise missiles we are going to produce as many: the Soviet Union will not fall behind.

Cheney: One continuing concern is the verification problem. It only sets the stage for a ratification problem. We would not want to create problems that would only lead to rejection by the Senate.

Yazov: We are not insisting on eliminating SLCMs, though the best solution would be to agree to have none at all. But you are the ones trying to develop them further. The Soviet Union is not. If we can visit production facilities for verification, why can't we go to a ship and check the same thing on the vessel? If we agree on 400 each and determine how they will be equipped we don't see how we can't accomplish verification. We can tell you where they are and you can check them out. If somebody has to cheat somebody, why are we sitting down at the negotiating table

to fool each other? Let us sit down and calculate how many of these missiles you need. Is 400 too few? You say 1000. Two thousand delivery vehicles could mean 6000 nuclear warheads. Then, what would we really be doing? We have discussed the problem from all sides. Don't you see what the advantage to you of 400 is?

Cheney: General, obviously our positions are not going to change here today. The best place for negotiations to proceed is within the framework where they are already.

Yazov: I think even next year we could sign START. So far as the two-three issues not quite agreed yet, we could, it seems to me, come to closure--on cruise missiles and ABM systems. Last Saturday I went to Krasnoyarsk. We took the decision to dismantle it even though it is not an ABM facility and its purpose and mission is not the same as the one you have in Greenland. Here we have to mutually understand each other better. You say in Greenland you are reconstructing. You turned it into an ABM. Our joke is that at first you put wood/logs into the oven and now it is heated by a nuclear plant. We don't know the purpose of the facility you are building in England, but it causes a lot of concern with the Soviet public. Naturally, to dismantle Krasnoyarsk is a lot of work. We looked at it from all sides, but in the name of promoting peace, we decided to destroy it. We stopped construction of one antenna five years ago. We had equipped one antenna 70%. Let us consider it solved.

Cheney: We repeat, we are pleased. We believe Greenland is a different proposition, that doesn't have ABM capability. Obviously, we disagree. If we are to be able to advance the cause of stability, questions of compliance on previous agreements become very important for confidence.

GEN Powell: The problem on cruise missiles has been the verification. We hoped the way to solve that was our declaratory policy. You know from our system that if we declare, we are bound by that. We are not looking for no limits on ALCMs but rather a discounting arrangement.

Yazov: This requires additional study of counting rules, counting nuclear warheads on strategic bombers. We think what is fair is that we count on each bomber the number of missiles for which the bomber is designed. If we do it any other way, it would be an attempt to somehow circumvent the other side. Somebody falls into a disadvantageous position. Our aircraft carry a lot fewer missiles. B-52s are very powerful, and can carry up to 30. So if they are equipped for 30, they should be counted as that. We do not object if you take them out of the strategic forces and make them conventional, and then they count as that. FM Shevardnadze talked to Baker about that. No more than 100 was what they talked of.

Neither of our peoples want to be cheated or fooled. Sure, we admit we have more tanks. You have more aircraft. So if we start destroying, we have to destroy more tanks, and you more aircraft.

(4) REGIONAL ISSUES

Cheney: I suggest we move on to one more area, and we know time is short. The area is regional issues. Central America and the Caribbean are of concern to us. Cuba continues to supply massive infusions of arms to Nicaragua, even though we stopped lethal assistance 18 months ago. Up until July of this year, the shipments had been larger than in '88. With the plans for elections going forward, continued shipments of arms are a problem.

Yazov: I do not have any particular data. I do know FM Shevardnadze is going to Cuba and has in mind going to Nicaragua. I think this is not uninfluenced by his discussions with Baker. The Ministry of Defense did not provide anything at all this year, and we do not supply Nicaragua. But I do not have any information on Cuba.

Officially, our policy is that we strive for peace in the region. The USSR is not without influence. I think Shevardnadze is going specifically for discussions on this matter. This is a position of principle. We welcome this meeting. I think we have to apply some pressure.

ASD Rowen: On North Korea, we are quite concerned with developments there.

Yazov: North Korea is not within my competence. I am not a leader of North Korea. We do not supply any weapons to North Korea.

Rowen: They have airplanes which are very close to the Soviet ones.

Yazov: We did supply them once, but not now. I saw their 1985 parade. I saw GAZ-51s, which were produced after WWII.

Rowen: Assuming you have some relationship with North Korea: North Korea has built a nuclear reactor, which we have reason to believe is intended to make nuclear weapons. If they do, this would cause a lot of trouble, a lot of trouble. We want to convey our concern, and urge you to do what you can.

Yazov: The North Koreans are also reporting you have Honest Johns in South Korea with nuclear warheads. That bothers the North Koreans. Their minister of defense told us of their concern when he was in the Soviet Union for medical treatment. I am not empowered to say anything about North Korea, and I honestly do not know anything about North Korea. It is in our interests to establish a stable peace in the region. The warlike spirit there, it seems, has calmed down quite a bit. It seems nobody there is going to take anything over. I do not know about any reactor.

GEN COL Chervov: Yes, there is information about a reactor and there is a concern about a reactor.

Yazov: I do not pay attention to the press, but I will get interested in that and look into it.

Cheney: There will be a meeting Tuesday 3 October at 1345 with the President.

Yazov: I would like to know who else will be invited?

Cheney: I think two or three of your advisors.

Yazov: I would like to invite GEN Maksimov and GEN LT Larin.

Cheney: We have a dinner planned for this evening, and unless you have anything further to add, I think you have another appointment.

Yazov: Thank you for a very candid discussion. It was a great pleasure for me to meet and get to know the leaders of DoD. I learned a lot from the point of view of relations with Congress.

Concluded: 1540.