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MEMORANDUM OF CONVERSATION

SUBJECT: Working Dinner with President Boris Yeltsin
(U)

PARTICIPANTS: The President
Warren Christopher, Secretary of State
Lloyd Bentsen, Secretary of Treasury
Mack McLarty, Chief of Staff
George Stephanopoulos, Assistant to the
President and Director of Communications
Anthony Lake, Assistant to the President for
National Security Affairs
Samuel Berger, Deputy Assistant to the
President for National Security Affairs
Thomas Pickering, Ambassador-Designate to
Russia
Toby T. Gati, Special Assistant to the
President for National Security Affairs
Nicholas Burns, Director for Russian,
Ukrainian and Eurasian Affairs, NSC Staff
Rose Gottemoeller, Director for Russian,
Ukrainian and Eurasian Affairs, NSC Staff
(Notetaker)

Boris Yeltsin, President
Boris Fedorov, Finance Minister
Andrei Kozyrev, Foreign Minister
Alexander Shokhin, Deputy Prime Minister
Viktor Ilyushin, Chief Assistant to the
President
Vladimir Lukin, Russian Ambassador to the US
Dmitri Ryurikov, Assistant to the President
Georgy Mamedov, Deputy Foreign Minister
Vyacheslov Kostikov, Press Secretary

DATE, TIME AND PLACE: April 3, 1993, 6:30 - 8:30pm
Vancouver, Canada

(Both Presidents opened the dinner by giving prepared toasts)

President Yeltsin: This is an excellent place with the
background of Vancouver harbor. (U)

The President: Did you take a boat ride after our meeting today?
(U)

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President Yeltsin: Yes, we took a ride and saw one of the biggest ports in the world -- it handles 79 million tons per year. I don't know about the U.S., but our biggest port turns over only 60 million tons. The surroundings are not only picturesque but good for development. (U)

The President: As I drove up, I saw many people holding Russian flags. Do many Russians live here? (U)

Minister Shokhin: These are not real Russians, or else they wouldn't carry flags upside down. (U)

President Yeltsin: They might be Russians who have emigrated -- we call them our "compatriots abroad." They might have suffered during the time of the Tsars. The Grand Duke Vladimir Kirillovich was alive at the time. It was a very touching meeting. We have adopted a law on dual citizenship. This is another benefit of democracy. If all of the states of the former USSR adopted such laws, there would not be a problem. To be a citizen of Lithuania and Russia is okay; Estonia and Russia is okay. But Estonia doesn't have such a law. (U)

Secretary Bentsen: Mr. President, how much time will you spend campaigning between now and April 25? (U)

President Yeltsin: All the time until April 25. (U)

The President: That's the right answer. That's a politician speaking. (U)

President Yeltsin: I'll not miss a day. (U)

Secretary Bentsen: You should use television. (U)

President Yeltsin: There will be a special program every five days with students, artists, workers, intellectuals etc. For example, on April 12, I will meet 12,000 students. I don't have the right to lose. It would be treachery to Russia. Things the people have only dreamt of for years, now they have them. We have 60,000 private industries, and 5000 of them are big corporate enterprises. Thirty million people are private owners. Where the genetic code has been removed from the brain, there is no notion of private ownership. Today, the most important thing is psychological change in Russia -- people do not want the communists to come back. Of course, we will have difficulties along the road, but we will manage. What Bill suggested today is very important to helping us along the road. We welcome it. (C)

The President: What I thought we would talk about tonight is what we can do. I want to put together a program to build on what you are doing and what you think is important. Members of Congress have asked me: what can we do for Yeltsin that responds to what he wants, what he thinks is needed to help the Russian people. (C)

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President Yeltsin: I believe its been a long time since I have spoken to a member of Congress. (U)

The President: They might be more likely to do what you want rather than what I want. (C)

President Yeltsin: But I understand it depends on you and your influence with Congress. Today, I've tried to explain that the major issues depend on a solution from Congress, especially the issues that are irritants to many Russians. (C)

I don't want to issue a formal invitation tonight, at the dinner table, and will do so tomorrow. But when you come, you will see a real difference in Russia. It is a country that has felt freedom and civil liberties. It no longer helps forty Communist governments abroad, not with a single kopek. It pursues equitable relations in foreign policy. It has sniffed the air of democracy, felt freedom. I would suggest that once we have left behind all the constraints that have been placed on us, it will be not the Soviet Union but a different country. We fight sometimes with the Communists, but when you label us as Communists, we get offended. I have already explained our concerns to you. You need to meet more people from our team. I will pass the floor to Fedorov. (C)

The President: He is young even by the standards of my administration. (U)

President Yeltsin: He is one of the youngest members of my government, but he is close to the age of many. Some are younger. Our single deficit is that we have no women. We have reformers, democrats, but no republicans. (U)

Minister Fedorov: I am responsible for finance and development of economic reform, without which reform is impossible. It is important that all elements of our reform package be supported by the United States and the rest of the world. The reforms are in three main directions: first, the battle with inflation, which devalues people's savings, bars investment, and undermines the economy. That is why it is so important to implement a stabilization fund. The ruble is the basis of our economic development. Success in our fight with inflation will mean that we can move forward with wider economic reforms and restructuring, the creation of private enterprises, and conversion of the military. (C)

President Yeltsin: I should point out that the program the U.S. Treasury has outlined contains proposals that serve our needs in health care, support for small enterprises, and so forth. (C)

Minister Fedorov: It is important to have a clearcut program in the G-7 package so that we have an idea of what to expect this year in the way of support. We have a program of private ownership of land, social support of the people and restructuring of industry so that we can help the people, so that they will not suffer. (C)

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The President: The Secretary of the Treasury has put in a lot of work to help stabilize the economy over and above the stabilization fund. (S)

President Yeltsin: What we need is to pursue a very tough budgetary policy. There was a period when we lost control of it and adopted a populist program. But now Federov is in control and in pursuit of stability. Even in April with these hard times, we won't bend. (S)

Secretary Bentsen: Mr. President, I spent the day with your two Deputy Prime Ministers. They are very impressive and they represented you well. I am particularly impressed by the Federov plan. It is absolutely critical to stabilize the ruble. We will help if we can. It is also essential that you control the Central Bank and the explosion of capital, including the expansion of the budget. (S)

President Yeltsin: Unfortunately, we have not yet been able to rip the Central Bank from the Parliament. But we made its Chairman a member of the government, so his duty is to it. (S)

Secretary Bentsen: We share that objective. If the Federov plan is put into effect, you will stabilize the currency and get the deficit down. (S)

President Yeltsin: Federov is a very tough personality, but he is also mild in character. But he is tough on the budget so even the pressure of the President won't affect his policies. So, the President has to support Federov, Shokhin and Mikhailov, who will get his \$800 million for the uranium. (S)

Secretary Bentsen: We accelerated the G-7 meeting in Tokyo to April 14-15. Japan wanted to be host, and I am sure they will be a major contributor to the effort when we get through. (S)

President Yeltsin: I know that Bill discussed this with Miyazawa and there seems for the first time in years to be a shift in Japan's policy toward us. That is he should not link the territories to our problems. (S)

The President: Sometimes when the Japanese say yes, they mean no. I hope when Miyazawa says yes, he means yes. I think they mean yes this time. (S)

Secretary Bentsen: Canada, the U.S. and Russia share a common ocean but also admiration of the rebirth of a nation and the courage of a President that has impressed the rest of the G-7 too. They are the major stockholders of the international financial institutions. We will see that they participate in the G-7 process as stockholders. (S)

President Yeltsin: As far as I know, France and Canada decided to double their share. (S)

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Secretary Bentsen: Yes, that's right. Secretary Christopher and I will be in Tokyo and will report back to the President. We are very optimistic that we'll see some action. We are impressed by the privatization of industry. We are interested in seeing the restoration of oilfields and of trade. We want to help on the stabilization of the currency. (S)

President Yeltsin: As for oil, we need approximately \$2 billion. First, we need to restore the level of production and then to raise it. Well, take for example the proposal made to you to move into new areas of oil and gas sources. This requires capital -- in the Stochman oil and gas area, for example, and can be developed only by the U.S. or Japan. Sakhalin can be developed by the U.S., Japan and Europe. So, Japan, South Korea and the U.S. can develop these areas. Our business people are too modest or too careful in developing that area. Take another example -- the gas reserves found by our geologists. If I were a young businessman, I would start a venture to open up that Stochman area. It so happens that we in Russia have a huge reserve of gas and oil and we can share it on an equitable basis. (S)

Secretary Bentsen: I come from Texas. We once had more oil and gas than anywhere in the Union. We found that what works in Texas can work for you in Russia. But you must do something on private property, on the uniformity of taxes and on other reforms. (S)

President Yeltsin: (after conferring with Shokhin) No, we have passed the exams for the first grade out of ten in market economics. So, give us some time, with your help, to learn. You understand that our managers don't have the necessary skills. They know only state planning. (S)

The President: The only point we want to make is that we believe we can help much more in energy to help you increase your pipeline efficiency. We have also given thought to more assistance in improving the safety of your nuclear power plants. I will work on this with the Congress next week. If you are interested, we can work with you on this and on the Exim Bank \$2 billion loan. (S)

President Yeltsin: (nodding) I understand you. Germany, Italy, Canada said they would do it and they gave up. We could raise oil production by twenty percent by improving the pipelines. This is a specific and concrete project. You can invest your money and get it back. (S)

The President: We would like to try and have a detailed conversation with you and to work on it over a three to five year period. We believe your greatest opportunity is in energy and we want to make a major effort there. (S)

President Yeltsin: You said five years. No. How about two or three years? (S)

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The President: Even better. Two is fine. (S)

President Yeltsin: Absolutely. So we know that. Well, we could raise our production by twenty percent by improving wells and pipelines. And if that happens, we wouldn't need the \$1.6 billion or even three dollars from the U.S. We could get it by raising production. But our technology isn't good enough. (S)

So, you can chastise us, but do something. I am certain that, in five years, we will be competing in the arts, in jazz, in oil and we will catch up with you. I am sorry about jazz, actually I am not certain about that. (S)

The President: Maybe not in jazz. But we need to catch up with you in your rich culture. (U)

President Yeltsin: Yes. We have ballet, classical music. (U)

The President: This afternoon, we discussed the possibility of changes in our law on space. I told you that I would review your request, which I will do. But it is clear that in the next two to three years, we have economic potential in space and energy. You should be able to earn hard currency and be competitive. We thought it would be helpful, in addition to our economic assistance, to establish a Russia-U.S. Council on Energy and Space. My Vice President is an authority on both issues. We believe that, over the next six months to a year, we can put together a range of things to add income to your country. It seems it should be organized as an ongoing effort in energy and space. Your Foreign Minister, Mr. Kozyrev, mentioned this idea to me and mentioned Chernomyrdin. (S)

President Yeltsin: He is not mentioning the right names. I will decide who will be on this commission. (S)

The President: No, not your Vice President, mine! No Rutskoi. Nyet! (both Presidents laughed at this point). (S)

President Yeltsin: Well, I believe this matter should be given to Chernomyrdin who knows energy and oil and gas. Immediately after my return, I will authorize him to deal with your Vice President. (S)

Secretary Bentsen: Maybe your Vice President should be sent into space. (S)

President Yeltsin: For two years, for example! We will do it. (S)

The President: In the U.S. we send teachers into space. In Russia, you can send politicians. (S)

President Yeltsin: Why not! I believe we can have the whole team use our Soyuz spacecraft. (S)

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The President: I'll pay half the costs if you let me send a few people along. (C)

President Yeltsin: Granted! I do wonder at all the people trying to do harm to Russia. We are experiencing difficult times and are at a turning point. We are fighting for freedom. And at this point, there are certain people who try to do us harm. However, my team is doing the right thing. We can fight. How about Lukin? Is he doing well or should we transfer him? (C)

The President: I want him to work for me; he is doing so well. (C)

President Yeltsin: He is a wiseguy, and he likes to be known as a wiseguy. (C)

The President: He is representing you very well here. (C)

President Yeltsin: Very well. This post is considered more important than any in Moscow. We hope your new Ambassador to Moscow will help us greatly especially at this time in the development of our reforms. Today we agreed to establish another working group on military and technical issues. Grachev will visit the U.S. in June and we will name the group then. (C)

Due to your President's proposal, we agreed to call each other by our first names. It was difficult to start with it. (U)

The President: Bill means "hit" in Russian. (U)

President Yeltsin: In Russian, it does mean "hit". Boris means fighting, struggling with no result! (U)

The President: In my country, Bill means he gets hit. I have a doctor who says that people should eat lobsters, grapes and pears all at the same time every day in order to live a long time. Secretary Bentsen says no, that if you eat that food, it will just seem like you'll live a long time. (U)

President Yeltsin: I was born in a poor, peasant family. We had a lot of suffering and hardships. But we had a grandfather who lived to 96! He never knew what a pear meant and never saw one. He never went to a hospital, not once. And when he died, the pathologist opened him up and his body was in fine condition. He just died of old age. All those organs ran out of life. He was a great grandfather with a heart and a fist. (U)

Ambassador Lukin: Boris Nikolayevich, have you heard about the time when they opened a dead man up and afterward the certificate said: "Death followed after the opening up of the body". (U)

President Yeltsin: Now you can see that our Ambassador to your country is growing up. (U)

The President: The Secretary of State is always very calm. He never raises his voice. So, the other night at a banquet, the

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speaker looked at him and said: he is eloquent, a statesman, and, yes, he's alive! (U)

President Yeltsin: I would say that, compared to another Secretary of State, he is mute. (U)

CNN two hours ago reported that the Bosnian Serbs did not accept the Vance-Owen plan. Despite the fact that Churkin worked very hard on this, they voted against it. So, we need to talk about this. What should we do? It is impossible to lift the arms embargo for Bosnia. We need to find political measures and a high-level meeting to stop the bloodshed. We could send Kozyrev. Kozyrev suggested that the UN Security Council should meet with Foreign Ministers participating and invite the Bosnian Serbs.

(S)

Secretary Christopher: Your Foreign Minister and I talked about this at some length today. I would suggest that he and I discuss it tonight to reach a common plan. (S)

President Yeltsin: Certainly. You should do it. (U)

Secretary Christopher: We have talked about this for some months and I have found him to be a good companion. It is an impossible problem, but we must try. (S)

President Yeltsin: I agree. We must support Kozyrev. But if he fails in Bosnia and Serbia, things will be bad. You should not shift responsibility to the Presidents. You should act with Kozyrev. (S)

The President: The UK, France and Canada were against lifting the arms embargo because they had soldiers there. But I feel very badly because the Serbs in Bosnia had access to weapons from the old Yugoslav army. But these arms weren't given to the Bosnian moslems. We told them to sign Vance-Owen. All they did was to lose more ground and people. So, even though it might make the situation more violent, sometimes I think we should have let them fight for themselves. (S)

President Yeltsin: There is too much bloodshed. We need another political attempt. If we send Kozyrev and you send your high-level representative, we could invite the UN too to try for a political settlement. The arms in that area could make for thousands of deaths, especially if you know the Moslems. (S)

The President: They kill each other at abandon. (S)

President Yeltsin: Today, I agreed with the President about Georgia and I give my word that I will meet Mr. Shevardnadze. The discussions will be difficult, but we have to start somewhere. We must start personally -- him and me. I promised you, and I will do it. (S)

The President: Anything else? When do we begin in the morning? (U)

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President Yeltsin: Tomorrow you are the guest at 10:45 a.m. sharp! It's at the Pan Pacific Hotel. (U)

The President: Thank you. (U)

President Yeltsin: We will continue the negotiations until the press conference. (U)

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