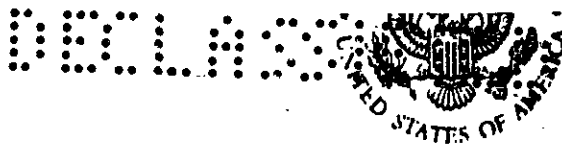


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FOR S AND S/S - EYES ONLY

E.O. 12356 DECL: OADR
TAGS: OVIP (BAKER, JAMES A III)
SUBJECT: MEMORANDUM FOR THE PRESIDENT
MOSCOW, MAY 18

MEMORANDUM FOR THE PRESIDENT

FROM: JAMES A. BAKER, III
SUBJECT: MY MEETING WITH GORBACHEV

1. I HAD A LONG, AND AT TIMES DIFFICULT DAY. THE HIGHLIGHT WAS A FIVE HOUR MEETING WITH GORBACHEV, THREE AND ONE-HALF OF WHICH I DID ONLY WITH GORBACHEV AND SHEYARDNADZE AND WITHOUT OUR RESPECTIVE DELEGATIONS. GORBACHEV TALKED AT LENGTH ABOUT THE RELATIONSHIP WITH US, HIS FINANCING GAP PROBLEMS, GERMANY, AND LITHUANIA, AND HIS MEETING WITH PRUNSKIENE.

2. FOR THE FIRST TIME IN OUR MEETINGS, HE RAISED SOME QUESTIONS ABOUT OUR REAL ATTITUDE TOWARD THE

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SOVIET UNION. WHILE ACKNOWLEDGING THAT HE HAD BEEN

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"ASTONISHED" AT YOUR ABILITY AND MINE TO WITHSTAND PRESSURE TO CHANGE COURSE IN DEALING WITH THE SOVIETS, HE NONETHELESS, SAID WE WERE TAKING SOME STEPS THAT INDICATED WE HADN'T FULLY MADE UP OUR MINDS -- INDEED, WE MIGHT STILL WANT TO TAKE ADVANTAGE OF SOVIET TROUBLES. HE CITED SOME INDICATIONS THAT WE WERE SEEKING TO WEAN THE EAST EUROPEANS AWAY. ("IF THEY WANT TO MOVE AWAY ON THEIR OWN, OKAY," BUT YOU SHOULDN'T BE PROMOTING THIS.) HE ALSO CITED THE CONDITIONS WE IMPOSED ON SOVIET PARTICIPATION IN THE EUROPEAN DEVELOPMENT BANK AS AN INDICATION THAT WE WERE TRYING TO BLOCK OTHERS FROM HELPING THE SOVIET UNION. IN ADDITION, HE CITED OUR POSITION ON LITHUANIA AND GERMANY.

3. HE ALMOST SEEMED TO BE SAYING THAT IN HIS HOUR OF NEED, HE DIDN'T NEED US TO COMPLICATE HIS LIFE. I MADE CLEAR THAT WE WERE NEITHER SEEKING TO EXPLOIT THEIR TROUBLES NOR WEAN THE EAST EUROPEANS AWAY. I NOTED THAT ON THE BANK IT WAS DIFFICULT FOR US TO JUSTIFY USING US TAXPAYER MONEY TO HELP FINANCE SOVIET LOANS WHEN THE SOVIETS WERE STILL SUBSIDIZING COUNTRIES LIKE CUBA, VIETNAM, CAMBODIA, ETC. TO THE TUNE OF 10-15 BILLION DOLLARS A YEAR.

4. THE ISSUE OF LOANS AND CREDITS IS AN IMPORTANT ONE, AND HE ASKED ME TO TELL YOU THAT HE WANTS TO TALK ABOUT IT WITH YOU. PICKING UP ON WHAT THE FINANCE MINISTER HAD TOLD ME WHEN HE CAME TO WASHINGTON, GORBACHEV SAID THE SOVIET UNION IS FACING A SIGNIFICANT FUNDING GAP OVER THE NEXT FEW YEARS AND WILL NEED \$20 BILLION IN LOANS AND CREDITS. HE WANTS

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THE SYMBOL OF OUR INVOLVEMENT IN THE LOAN EFFORT, SAYING THIS IS IMPORTANT FOR THE SOVIET PEOPLE TO SEE. (I SUSPECT SO HE CAN DEMONSTRATE HOW HIS POLICIES ARE SUCCEEDING IN GETTING US TO CONTRIBUTE TO SOVIET NEEDS.) GORBACHEV SAID THE NEXT FEW YEARS ARE CRITICAL BECAUSE THEY'RE GOING TO MOVE TO A MARKET-BASED ECONOMY AND TO CUSHION THE IMPACT AND EXPEDITE THE TRANSITION, HE NEEDS RESOURCES TO BUY CONSUMER GOODS AND TO INVEST IN THE CONVERSION OF DEFENSE PLANTS TO CIVILIAN OUTPUT.

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5. I TOLD HIM I WOULD CONVEY ALL THIS TO YOU, BUT AGAIN CAUTIONED ABOUT THE DIFFICULTY OF JUSTIFYING US TAXPAYER MONIES IF THE SOVIETS WERE SUBSIDIZING THE CUBANS AND IF THE SOVIETS WERE SQUEEZING THE LITHUANIANS ECONOMICALLY.

6. ON LITHUANIA, GORBACHEV TOLD ME WAS UNDER A LOT OF PRESSURE TO DO MORE, TO INVOKE DIRECT PRESIDENTIAL RULE OVER THE REPUBLIC. (HE TOLD ME HE'D BRING YOU ALL THE TELEGRAMS HE WAS RECEIVING ASKING HIM TO PROTECT THE RUSSIANS IN LITHUANIA; THE TELEGRAMS IMPLORING HIM TO PROTECT RUSSIANS IN THE SAME WAY A US PRESIDENT WOULD ACT IF THERE WERE A THREAT AGAINST


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AMERICAN CITIZENS.)

7. HE SAID HE WAS DETERMINED TO FIND A PEACEFUL WAY TO UNTIE THE KNOT. THE LITHUANIANS HAD MADE THIS VERY DIFFICULT, BUT IF THEY WOULD SUSPEND THEIR DECLARATION OF INDEPENDENCE, HE WOULD BEGIN THE DIALOGUE AND LIFT THE SANCTIONS IMMEDIATELY. THEN ALL THE DIFFICULT ISSUES -- FUTURE ECONOMIC TIES, MILITARY INSTALLATIONS, TERRITORIAL CLAIMS OF THE BYELORUSSIANS -- COULD BE UNRAVELLED AND RESOLVED. IF THE LITHUANIANS WANTED INDEPENDENCE, HE'D ACCEPT THAT AS LONG AS IT EMERGED FROM A PROCESS.

8. HE SAID PRUNSKIENE HAD BEEN PREPARED TO SUSPEND THE IMPLEMENTATION OF THE LAWS, NOT THE DECLARATION. THIS WASN'T SUFFICIENT. HE WOULD NOT FORCE THE LITHUANIANS TO NULLIFY THE DECLARATION -- THAT WOULD



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BE TOO HUMILIATING FOR THEM -- BUT HE DID REQUIRE THAT THE DECLARATION BE FROZEN. IN ANSWER TO MY

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QUESTION, HE SAID HE THOUGHT PRUNSKIENE UNDERSTOOD WHAT WAS REQUIRED AND WOULD BE RETURNING TO VILNIUS TO PERSUADE THE LITHUANIAN SUPREME SOVIET TO ACT ACCORDINGLY.

9. I SAW PRUNSKIENE RIGHT AFTER GORBACHEV AND SHE WAS, UNFORTUNATELY, TAKING A HARD LINE ON THE NEED TO PRESERVE THE DECLARATION. WHILE TELLING HER WE WERE COMMITTED TO LITHUANIAN SELF-DETERMINATION, I ALSO SAID THE CHALLENGE FOR THE LITHUANIANS WAS HOW TO TAKE STEPS THAT WOULD TRANSLATE THEIR ASPIRATIONS FOR INDEPENDENCE INTO REALITY. WITHOUT OFFERING ADVICE, I REPEATED WHAT GORBACHEV'S POSITION WAS AND WHAT WOULD PRODUCE AN IMMEDIATE DIALOGUE. I ALSO ASKED WHAT THE LITHUANIANS LOST BY OFFERING A TEMPORARY FREEZE OF THEIR DECLARATION -- A FREEZE THAT COULD ALWAYS BE REVOKED IF THE SOVIETS EXHIBITED BAD FAITH.

10. PRUNSKIENE AND HER COLLEAGUES SAID FREEZING THE DECLARATION WOULD MEAN HAVING TO ACT ACCORDING TO SOVIET LAWS. WHILE IN PRACTICAL TERMS I'M NOT SURE THERE'S MUCH OF A GAP BETWEEN WHAT GORBACHEV WANTS AND WHAT THE LITHUANIANS ARE PREPARED TO DO, THERE IS A REAL GAP IN SYMBOLS. THE SYMBOLISM OF THE DECLARATION OF INDEPENDENCE IS THE STICKING POINT FOR BOTH. THUS, NOTWITHSTANDING THE GORBACHEV-PRUNSKIENE MEETING, WE'RE NOT OUT OF THE WOODS ON THIS ONE.

11. ON GERMANY, I SOUGHT TO DEMONSTRATE TO GORBACHEV HOW WE HAD PROCEDURALLY AND SUBSTANTIVELY BEGUN TO TRY TO RESPOND TO SOVIET CONCERNS. THE TWO-PLUS-FOUR

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HAD PROVIDED THE SOVIETS A PROCESS THAT GAVE THEM A PLACE AT THE TABLE AND ALLOWED THEM TO SHOW THEY WERE HELPING TO MANAGE THE ISSUE. WE WERE USING THE TWO-PLUS-FOUR TO STEER ISSUES TO OTHER FORA AND I OUTLINED NINE STEPS OR PROPOSALS WE HAD MADE (AND THE GERMANS SUPPORTED) THAT RESPONDED TO SPECIFIC CONCERNS THE SOVIETS HAD. (E.G., ON GERMAN BORDERS, ON GERMAN RENUNCIATION OF NUCLEAR, BIOLOGICAL, AND CHEMICAL WEAPONS, ON NO NATO FORCES FOR A TRANSITION PERIOD IN THE GDR, ON HANDLING BUNDESWEHR LIMITS VERY QUICKLY IN CFE II, ETC.)

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12. GORBACHEV TOOK COPIOUS NOTES ON WHAT WE'D DONE AND WERE DOING AND MADE CLEAR HE APPROVED VERY MUCH OF ALL THIS. AT THE SAME TIME, HE SAID A UNIFIED GERMANY IN NATO IS IMPOSSIBLE FOR THEM. HE SAID IT WOULD LOOK LIKE A FUNDAMENTAL SHIFT IN THE STRATEGIC BALANCE OF FORCES HAD TAKEN PLACE -- JEOPARDIZING PERESTROIKA BECAUSE IT WOULD LOOK LIKE GORBACHEV HAD MADE THE SOVIET UNION THE BIG LOSER IN THE PROCESS. (HE SAID, "IT WILL BE THE END OF PERESTROIKA.")

13. WHEN I WALKED HIM THROUGH THE LOGIC OF GERMANY IN NATO, AND THE HELSINKI PRINCIPLE THAT GIVES EACH STATE THE RIGHT TO CHOOSE ITS ALLIANCES, HE HAD NO GOOD ANSWER. INDEED, HE SAID OUR PROBLEM WAS THAT WE BANKED EVERYTHING ON ONE PREMISE: NAMELY, THAT GERMANY WOULD WANT TO STAY IN NATO. WHAT IF AFTER A SHORT TIME, IT CHOSE TO GET OUT -- SOMETHING THAT COULD HAPPEN. WHAT THEN, HE ASKED? AT THAT POINT, HE SAID IT WILL BE TOO LATE TO BUILD A CREDIBLE SECURITY STRUCTURE IN EUROPE. THE IMPLICATION WAS WE WOULD HAVE LOST OUR LEVERAGE AND GERMANY WOULD BE A BIG, DANGEROUS POWER.

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14. WHEN I SPOKE OF THE IMPORTANCE OF ANCHORING GERMANY IN WESTERN INSTITUTIONS, HE SAID: I KNOW THAT GERMANY WILL BE CLOSER TO YOU BUT IT JUST SHOULDN'T BE IN THE WESTERN ALLIANCE. (IF WE COULDN'T ACCEPT THIS SOVIET POSITION, HE MIGHT SEEK SOVIET ADMISSION TO NATO.) HE SAID RESOLVING THE GERMAN ISSUE WAS A REAL TEST FOR OUR ABILITY TO FIND A COMPATIBLE APPROACH THAT TOOK INTO ACCOUNT A BALANCE OF INTERESTS BETWEEN US. HE ADDED WE NEEDED TO FIND A SOLUTION, WE NEEDED TO THINK MORE ABOUT THE ISSUE, AND HE WANTED TO TALK WITH YOU ABOUT IT WHEN HE CAME TO WASHINGTON.

15. AT THIS POINT, WE INVITED A LARGER GROUP IN TO JOIN US AND TURNED TO ARMS CONTROL. WE CLOSED -- OR SO I THOUGHT -- ON ALCMS, AGREEING TO TO COUNT AS "ACTUALLY EQUIPPED" HEAVY BOMBERS OVER OUR PREFERRED



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NUMBER OF 150, AND A "GRANDFATHERING" OF TACIT RAINBOW. WE AGREED ON 880 FOR THE SLCM NUMERICAL

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LIMIT, AND GOT THEM TO DROP THEIR DISTINGUISHABILITY REQUIREMENT FOR SLCM IN RETURN FOR OUR REAFFIRMING THE LANGUAGE OF THE WASHINGTON SUMMIT OF DECEMBER 1987 ON BEING WILLING TO EXPLORE THE POSSIBILITIES OF VERIFICATION. THE ONLY REMAINING SLCM ISSUE IS RANGE, WHERE THERE IS A BUILT-IN TRADEOFF IN THE WORKS.

16. FOLLOWING THE GORBACHEV MEETING, IT LOOKED LIKE WE WERE ON THE VERGE OF CLOSING OUT ALCMS AND SLCMS AND THE REMAINING START ISSUES. UNFORTUNATELY, IN ANOTHER EXAMPLE OF WALKING BACK AFTER THE FACT -- IN THIS CASE AFTER GORBACHEV HAD EXPLICITLY AGREED -- WE WERE TOLD THAT THE GRANDFATHERING OF TACIT RAINBOW WAS AGREED, PROVIDED WE ACCEPTED A NUMBER OF CONSTRAINTS ON THE MISSILE. I TOLD SHEVARDNADZE WE HAD AGREED TO THE ALCM RANGE ONLY ON THE CONDITION THAT TACIT RAINBOW WAS EXEMPTED. GORBACHEV HAD MENTIONED NO CONDITIONS. HE HAD SIMPLY AGREED TO EXEMPT THE MISSILE. I SAID NOW THE SOVIETS WERE JEOPARDIZING THE WHOLE PACKAGE IF THEY LET THE MILITARY IMPOSE CERTAIN TECHNICAL CONDITIONS AFTER THE AGREEMENT HAD ALREADY BEEN REACHED. WHILE I THINK WE MAY STILL COME TO CLOSURE, WE GOT ANOTHER REMINDER OF THE MILITARY'S ROLE IN THE PROCESS AND WHAT IT'S LIKE TO DO BUSINESS NOW.

17. MY CONCLUDING IMPRESSIONS: FIRST, GORBACHEV IS CLEARLY FEELING SQUEEZED AND IS GOING TO REACT STRONGLY TO ANY STEP THAT CAUSES HIM POTENTIAL PROBLEMS. SECOND, GERMANY DEFINITELY OVERLOADS HIS

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CIRCUITS RIGHT NOW. WE OUGHT TO LET THE PROCESS GO FORWARD, CONTINUE TO TRY TO MEET SOVIET CONCERNS, BUT NOT PRESS THEM TO ACCEPT OUR OBJECTIVE. IT'S BEST TO LET IT HAPPEN. THIRD, I SUSPECT THAT GIVEN THE PREOCCUPATION WITH GERMANY AND HIS NEED TO POINT TO HOW THE "GERMAN THREAT" IS BEING CONTAINED, WE PROBABLY WILL HAVE TO GET MORE SPECIFIC ON HOW AND WHEN BUNDESWEHR LIMITS ARE GOING TO BE ACHIEVED IF WE WANT A CFE AGREEMENT.

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