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United States Department of State

Memcon from 2/9/90
meeting w/USSR Pres.
Gorbachev & FM
Shevardnadze, Moscow,
USSR

Washington, D.C. 20520

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MEMORANDUM OF CONVERSATION

RELEASED IN PART
B1, 1.5(B), 1.5(D)

Date: Friday, February 9, 1990
Time: 1:00 pm - 3:00 pm
Place: Kremlin

PARTICIPANTS: Secretary Baker
President Gorbachev
Eduard Shevardnadze

Gorbachev:

[Redacted content]

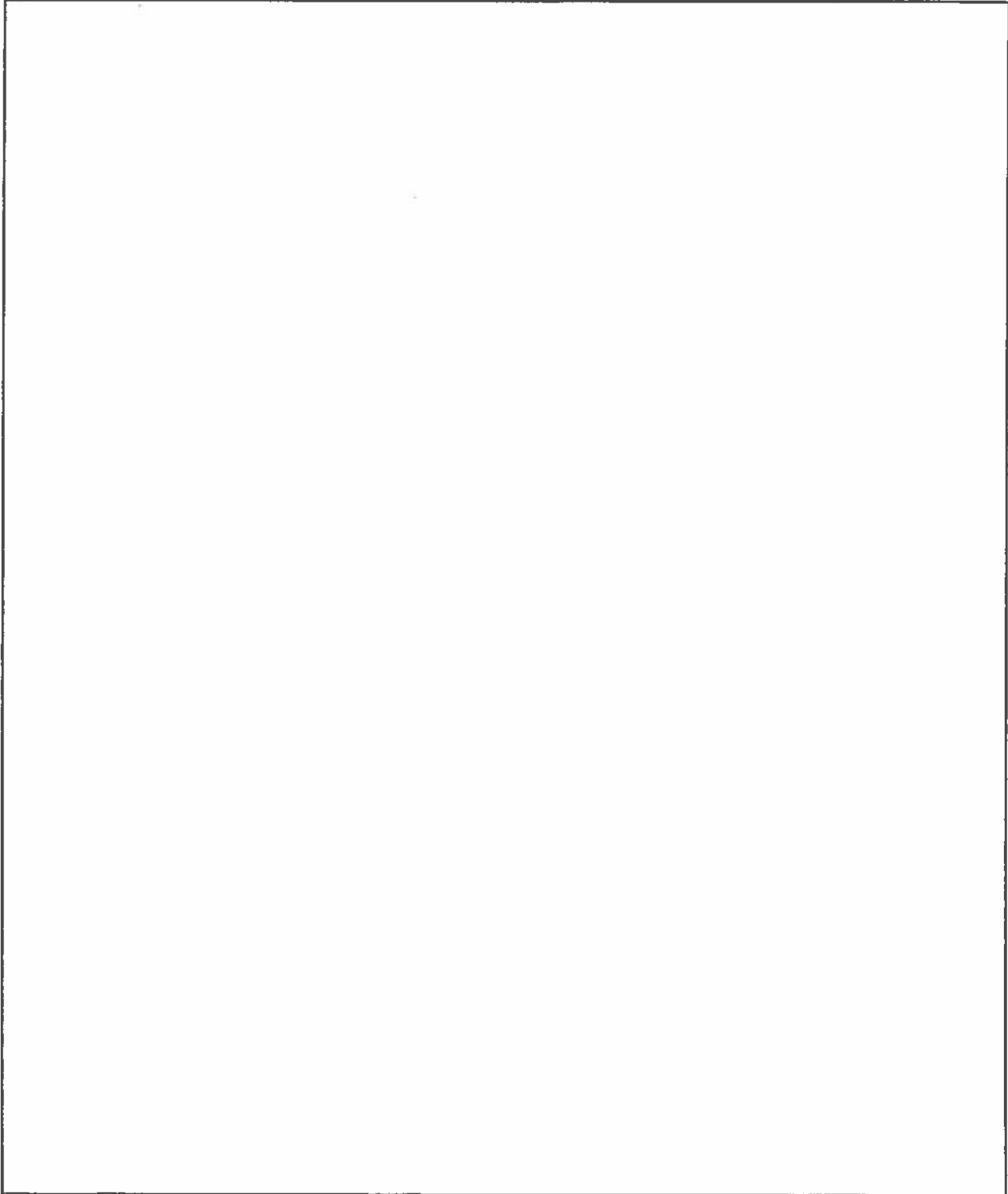
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You know I read the papers here and in the West about what's happening in the Soviet Union. Well at least

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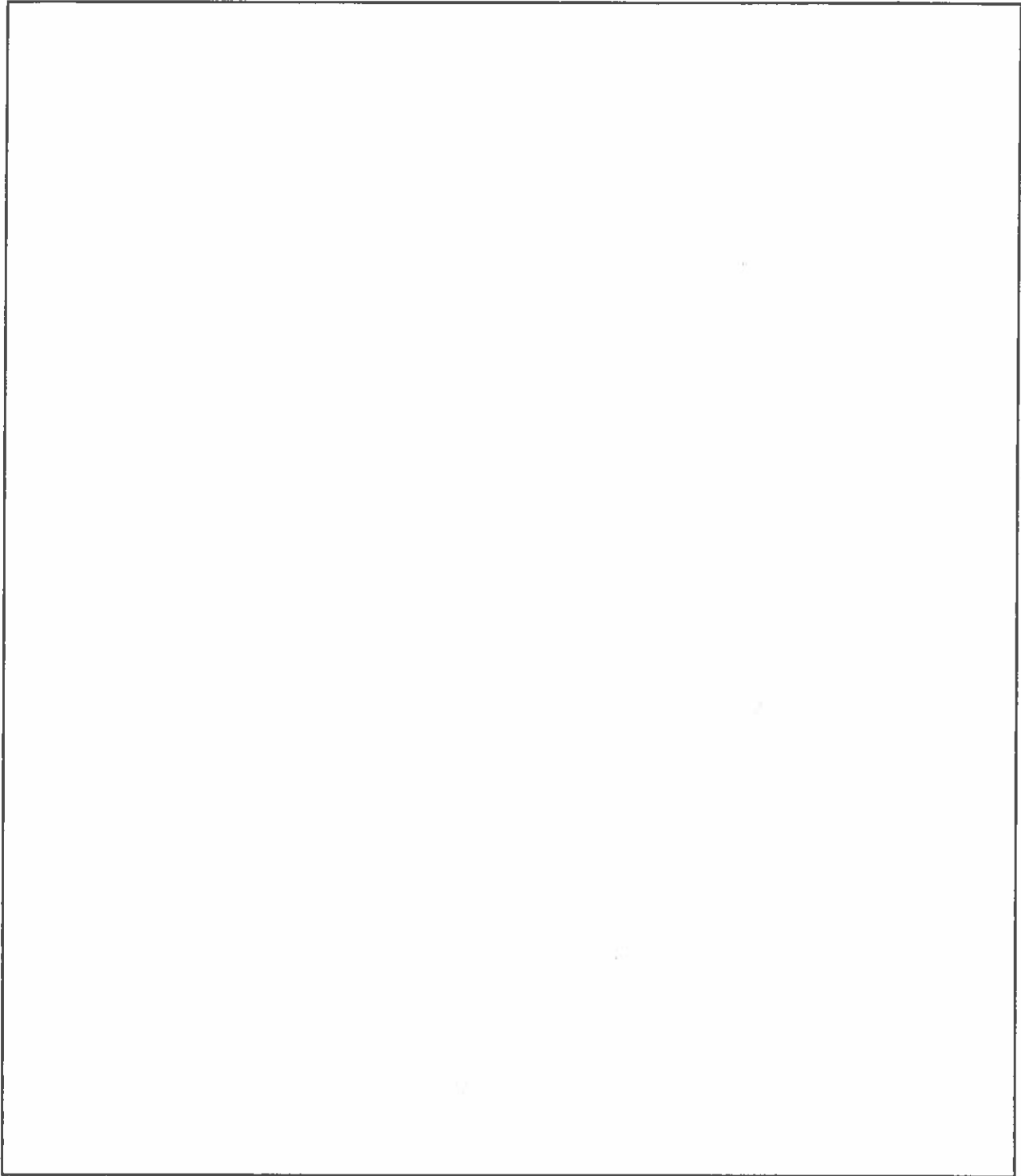


I can say they are never boring. Unfortunately, they also are not enlightening. They are also not useful. But many things are raised that do deserve our attention.



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Baker: Thank you. I want you to know that we will support you in any way we can. We'll do so publicly and in other ways. We are seeking to provide a stable international



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environment for you. Obviously, that benefits us as well as you. And I hope that it is still positive for you domestically for you to be able to show that you are managing the US-Soviet relationship productively and in a way that moves the arms control and disarmament process forward to agreements.

I hope you know that notwithstanding the four or five months that we marked time on arms control at the beginning of the Administration, this has been over for some time. I hope you can see that the ideas we brought this time show that we are serious about moving the process forward. With fundamental changes taking place, especially in Europe, if we don't move we run the risk of being passed by. Frankly, our negotiations could become irrelevant.

Gorbachev: I agree.

Baker: I wonder if I might add a word on the economy. Eduard knows that there is one issue in particular that has troubled me since we first talked about it almost a year ago. And that is that you can have either a command economy or a market economy. But you can't have something in between. You are moving to a price system that is very important. I am delighted that you made the decision and it is not easy to get there.

Gorbachev: You are right.

Baker: There are some things that must be done first. There are two for sure.

First, you have got to absorb the ruble overhang. You plan to sell apartments, devalue the currency, issue gold back bonds, etc., which may help. But you have got to do it before you go the price system or inflation will be in the thousands percent. The second thing that has to be dealt with is a social safety net. A social safety net is needed for the poorest in society when a new pricing system is put in place. Absorbing the ruble overhang and putting a social safety net in place can lessen not eliminate popular dissatisfaction. I don't mean to be preachy, but occasionally I fall back into the habits of my old job at Treasury.

Gorbachev: Well those are old likes and old professional interests, and they happen to be very good interests.

Baker: The advice I give you may be worth exactly the price you pay for it. But please understand how much we want to see you succeed. As things move, if we are doing something we shouldn't be or we are not doing something we would be pleased if you picked up the phone and let us know.

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Gorbachev: So how has the communication link been coming along?

Baker: It's coming along. I had a long discussion with Eduard on Germany. I don't know if he has had a chance to tell you about it or if you would be interested in hearing me go through it and explain our views.

Gorbachev: I'd like to hear your views.

Baker: The unification process is moving much faster than anyone anticipated last December. In the last week I have met with the French, British, and German Foreign Ministers. On March 18 the GDR will vote overwhelmingly for unification. They will elect leaders to support unification. Shortly after that the two Germanys will begin to discuss the internal aspects of unification: how to combine their governments, what the capital should be, developing a common currency, establishing an economic union, etc. I am aware of your concerns. I have discussed them with Mr. Shevardnadze. We understand your concerns. I have interpreted your recent remarks to mean you understand unification is inevitable. It is important that it proceeds in a stable way and create possibilities for real stability. At the same time we believe that a mechanism or framework is needed with the external aspects of unification. This must be approached carefully so as not to provoke an excessive degree of German nationalism. The mechanism should be put in place only after the two Germanies begin their discussion on internal unification. I have discussed but not sought agreement with the French and Germans on the prospect of a two plus four mechanism. That means the two Germanies plus the Four Powers.

Gorbachev: I say four plus two; you say two plus four. How do you look at this formula?

Baker: Two plus four is a better way. I have explained to Eduard that the four power mechanism alone cannot work. CSCE is too unwieldy to work. I don't know if the Germans agree with two plus four. But the point is when one approaches the external aspects of German unification, you have to take into account Germany's neighbors. It is conceivable that the 35 could be used to ratify an agreement reached through the two plus four mechanism. We fought a war together to bring peace to Europe. We didn't do so well handling the peace in the Cold War. And now we are faced with rapid and fundamental change. And we are in a better position to cooperate in preserving peace. I want you to know one thing for certain. The President and I have made clear that we seek no unilateral advantage in this process.

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I have got one or two other points. We don't favorably view a neutral Germany. The FRG says that this is not a satisfactory approach. A neutral Germany in our view is not necessarily going to be a non-militaristic Germany. It could well decide that it needed its own independent nuclear capability as opposed to depending on the deterrent of the United States. All our allies and East Europeans we have spoken to have told us that they want us to maintain a presence in Europe. I am not sure whether you favor that or not. But let me say that if our allies want us to go, we will be gone in a minute. Indeed, if they want us to leave we'll go and I can assure you that the sentiment of the American people is such that they will want us to leave immediately. The mechanism by which we have a US military presence in Europe is NATO. If you abolish NATO, there will be no more US presence.

We understand the need for assurances to the countries in the East. If we maintain a presence in a Germany that is a part of NATO, there would be no extension of NATO's jurisdiction for forces of NATO one inch to the east. At the end of the day, if it is acceptable to everyone, we could have discussions in a two plus four context that might achieve this kind of an outcome. Maybe there is a better way to deal with the external consequences of German unification. And if there is I am not aware of it. We don't have German agreement but we have mentioned it to Genscher and he said he wants to think about it. Dumas liked it and now I have mentioned it to you.

Gorbachev: Basically, I share the course of your thinking. The process is underway. We have to adjust this process. We have to adjust this new reality and not be passive in ensuring that stability in Europe is not upset. Well for us and for you regardless of the differences there is nothing terrifying in the prospect of a unified Germany. But this is simplistic. First of all, we both are interested in improving European conditions and we can't simply stand by. Now what kind of Germany are we going to face in the future? How can it be included in world structures?

Second, there are different perspectives in London, Paris, Budapest and Warsaw. Yesterday I had a talk with Jaruzelski. He knows that you are here today and Kohl and Genscher will be here tomorrow. Given that, he wants to call and talk. The German question is the key question for him. It is critical to the Poles.

Baker: That's right.

Gorbachev: [REDACTED]

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For France and for Britain the question is whose going to be the major player in Europe. We have it easier. We are big countries and have our own weight. We also see how Kohl and his team are talking to us -- very carefully knowing what our two countries mean. So it is important to channel this process, while recognizing the sensitivities and being tactful. So the mechanism of four plus two or two plus four, assuming it relies on an international legal basis, is suitable for the situation. Maybe after this exchange, not because we agree on all the details, we should continue exchanges with our two friends. We have spoken to Modrow and I will talk to Kohl tomorrow.

Baker: That will be good if you did. One note of caution. If there is a chance to convince the Germans we must talk about this process starting only after March 18, only after self-determination of GDR is carried out, and only after the internal aspects of unification are being discussed by the Germans. Otherwise the Germans will not go for it. They will say the question of German unification is a German question. What we say is: The internal aspects are for the two Germanies to determine. The external aspect has to be accomplished with due regard to Germany's neighbors. Their security concerns will have to be taken into account and questions like the status of Berlin will have to be resolved. I believe there is some chance of agreement. I have not had a discussion on this directly with the Chancellor, but my impression of Genscher's reaction is that he thinks it's a good approach. Of course, the Chancellor is running for election.

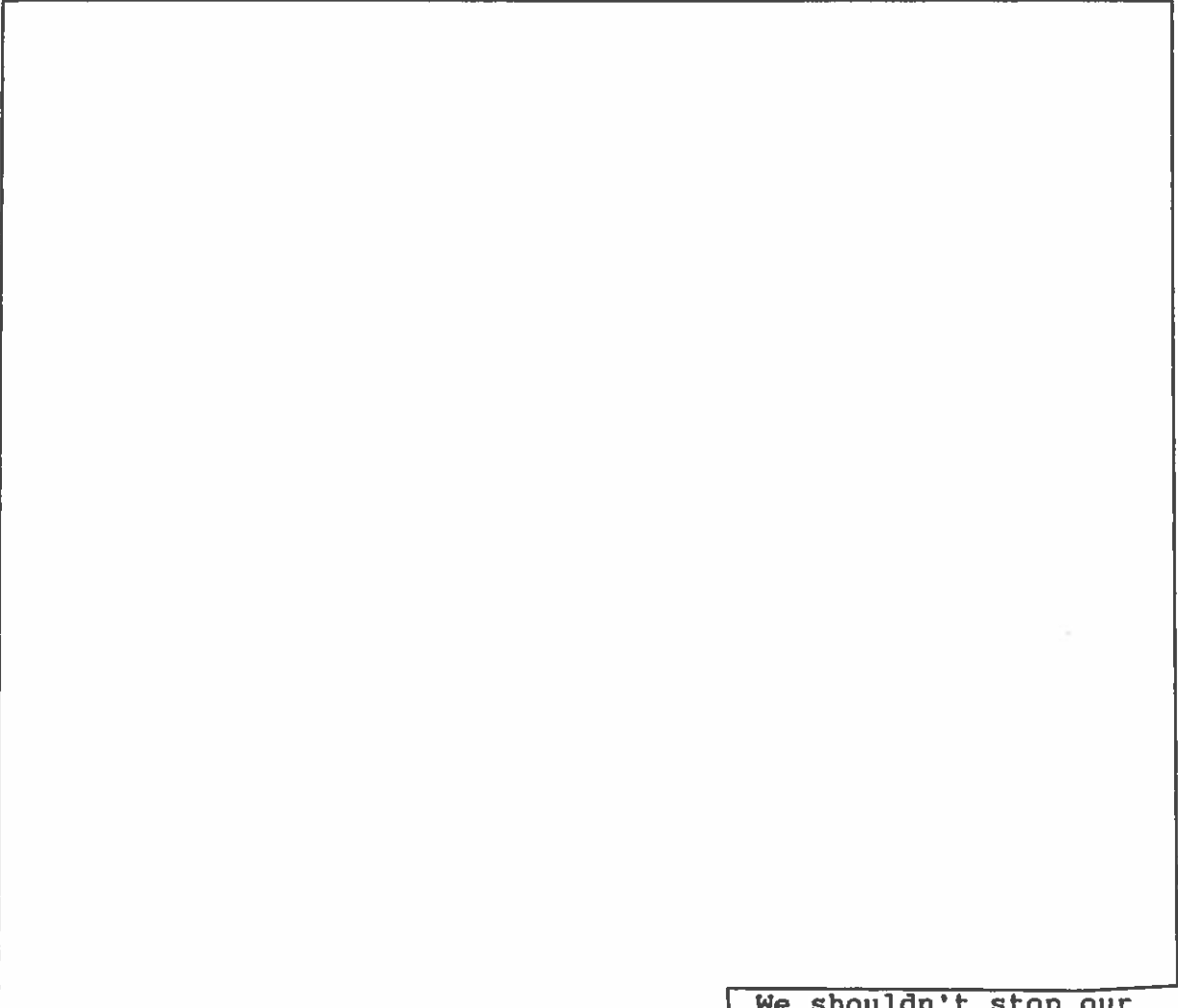
Gorbachev: Yes. That affects the whole process.

Baker: He'll be very careful not to be seen as turning over to others the question of unification.

Gorbachev: [REDACTED]


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We shouldn't stop our thinking about how to channel the current events and the unification process. Let's be sure that we recognize realistic forces and take them into account. So please tell the President that we should keep very closely in touch on this whole question of German unification.

Baker: I will. But please understand that I am not suggesting that we should succumb to the emotional drive for unification. What I am saying, however, is that the process of unification is not going to be stopped and we have it as a duty to our people, peace, and the world more generally to do what we can to shape the external aspects of unification in a way that enhances stability. That's why I have suggested this two plus four mechanism. I am sure that unification will cost the FRG a lot. I am sure as well that the issue is going to be a prominent one in the election campaign in Germany. But, whatever potential problems exist are going to overwhelmed by

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the emotional desire of the Germans to get together and that's the reality that we deal with. I'd like to pose a question and you need not answer it. Let's assume for the moment that unification is going to take place. Assuming that, would you prefer a united Germany outside of NATO that is independent and has no US forces or would you prefer a united Germany with ties to NATO and assurances that there would be no extension of NATO's current jurisdiction eastward?

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Gorbachev:

Let me say that the approach you have outlined is a very possible one. We don't really want to see a replay of Versailles, where the Germans were able to arm themselves.

The best way to constrain that process is to ensure that Germany is contained within European structures. What you have said to me about your approach and your preference is very realistic. So let's think about that. But don't ask me to give you a bottom line right now.

Let's move to Afghanistan. Shevardnadze tells me that you had a very good talk on Afghanistan but there wasn't much movement.

Baker: Well, we've moved. I am not sure you have. For our part it is important to remember that movement by us is not the key. We really have limited influence on the Mujahaddin. We want to have a political solution in Afghanistan. We really do. We are convinced, however, that we cannot bring the Mujahaddin along unless there is some mechanism where at the end of the transition process there will be a change in government. So what I have suggested is that we need a process

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that begins with Najib in power but when it ends he'll be out. That doesn't mean that all the PDPA have to leave too, it means only that Najib and his closest associates will be out of power at the end of this process. That's what a transition is all about. Moving from the current government to another government. I believe that if we knew this was going to happen we would have a very good chance to get the AIG, the commanders in the field, the Paks, and the Saudis all behind this process. What I outlined was a perspective on moving from where we are today to a transitional government and then to a government of national reconciliation that represented all the elements of Afghanistan.

We have no interest in a Government of Afghanistan that is hostile to the Soviet Union. We have no interest in a fundamentalist regime in Afghanistan. That's simply not in our interest. But I am afraid to say we can't assist in developing or managing a political settlement unless we can say that at the end this man will be gone. I am not saying that either he or the Afghan interim government have any real legitimacy. I am not sure that one has more than the other.

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Baker: We don't order the Mujahaddin either. I do think, however, that we could affect them if we could tell them that at the end of the day the Afghan government that emerges will not be headed by Najib.

[REDACTED]

Baker: How about just letting phase one of the process happen. Let it happen. If you would let the Shura take place and guarantee security for it, maybe Najib would find it easier to stand up and say he is giving up his claim. In any case I was about to say to you that we have a saying in America that we don't want any cheese we just want out of the trap.

[REDACTED]

Baker: I really think that we ought to let this process of self-determination begin.

[REDACTED]

Baker: But the Mujuhaddin won't take part in anything he proposes. That's just a fact.

[REDACTED]

Baker: We are cooperating in some places in the regions -- Namibia, the Horn of Africa -- there is clearly room for more cooperation. In Afghanistan and in Central America. We can do better there. I mentioned to Shevardnadze that public opinion in the United States simply does not understand MIG-29s in Cuba. He's explained that you have commitments but frankly there is simply no way to explain to the American public how you can continue to provide these kinds of weapons to Cuba.

[REDACTED]

Baker: We are taking a look at COCOM with a view towards revising it. What we would do is build higher walls around fewer products, the only products that would be restricted would be those that would have a significant military application. But that review will take some time

[REDACTED]

Baker: I know you are under some pressure but you know when I first started saying last spring that we would do what we could to assist perestroika and that your reform efforts were for real, I was attacked by a number of conservatives in the United States when we try to reform COCOM or we talk of trying to help your access in international financial institutions we hear about Cuba from our critics. Cuba is not a threat to us, but they are a threat to small states in Central America. Castro's continuing to export subversion and

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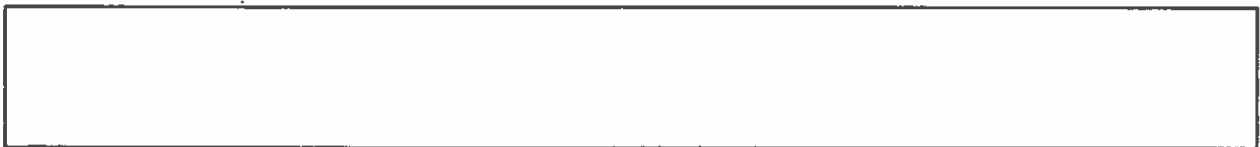
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revolution, and the only person that he criticizes more than President Bush is President Gorbachev. So it is hard for us to explain why you keep sending weapons.



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Baker: The criticism of us on the economy will be different. We'll get criticized for recession. Fortunately, we have eight years of economic growth. We've done that by reducing the role of government in the economy. At the beginning of the Reagan Administration the top tax rate for individuals was 70% now it is 33%. The corporate tax rate went from 50% to 34%. We have had continued non-inflationary growth. Our inflation rate was 4% or less on the average for the last seven or eight years.



Baker: We know that. We want to see you succeed. The President and I know how difficult it is for you and we know you are making every effort to overcome the obstacles you face. The President very much wants you to know that we'll do whatever we can to support you. The President wishes you success, good luck, and all the best in your efforts.

Gorbachev: Please tell the President how much I appreciate that and pass on my best to him.

Baker: I'll do that.





National Security Archive,
Suite 701, Gelman Library, The George Washington University,
2130 H Street, NW, Washington, D.C., 20037,
Phone: 202/994-7000, Fax: 202/994-7005, nsarchiv@gwu.edu