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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Boris Yeltsin

PARTICIPANTS: The President  
President Boris Yeltsin  
Anthony Lake, Assistant to the President for  
National Security (Notetaker)  
Victor Ilyushin, First Assistant to President  
Yeltsin (Notetaker)

DATE, TIME September 27, 1994: 11:00 a.m.-1:00 p.m.;

AND PLACE: Oval Office and Patio

The President: Is the schedule okay?

President Yeltsin: We need more time one-on-one in the framework of the talks. We spent thirty minutes with the press. There are many questions and issues to raise here. Life is dynamic and we meet infrequently.

(The two Presidents then reviewed together their schedule for the two-day summit).

President Yeltsin: The Civic Accord agreement has made our situation calm. The President and Parliament are working well together for the first time in our history. Organizers of recent demonstrations have failed to get crowds. There have been no strikes. Crime is a tough problem for me but we are seeking to control it. We've created a special federal program to control crime, in the countryside too. We are fighting drug trafficking. In sum, the political situation is calm. There were no strikes on September 21 (note: anniversary of Yeltsin's suspension of the Supreme Soviet.)

On economic issues, I am encouraged by the low rate of inflation. There have been small price increases for a variety of foodstuffs. The stores are filled. You can buy kiwis now in Russia. Salaries and wages have doubled the price increases. Unemployment is not yet a great problem. Russia has yet to learn how to allow enterprises to go bankrupt. We have little experience with it. Those enterprises still churn out goods no one wants at high prices. There is a private building boom. Over the past seventy-five years, there was no private property. Now, in two years, there has been intensive privatization--75% private or joint stock companies. There are bad things such as

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declining production. But this decline is only at the same rate. I hope some of the sectors will now increase in production.

We need more investment. I met your captains of business in New York. I know some of them personally. (I didn't know that Scowcroft was a businessman.) Their reaction was positive. We have forty million rubles accumulated in the country. We need now an inflow of investment for the Timon Pechora and Sakhalin projects.

So, there has been progress. Of course, some people are opposed to our partnership. But they can't put too much pressure on us.

The President: Very impressive. There have been big changes since January for us too. The economy is up. The crime bill passed. We have had some problems with health care--it is expensive and not everyone can be covered. The insurance industry spent \$300 million to beat the bill, according to one magazine, so we couldn't win this time. Maybe next year. We will have mid-term elections in November. While the economy is going in the right direction, most Americans think it is going in the wrong direction because the press tells them so!

President Yeltsin: Yes (laughs).

The President: But otherwise things are going well. There is great attention being paid to our meeting. People wonder where the relationship is going.

President Yeltsin: We have been hearing from our press that we are too focused on the U.S., not others. But people know the partnership program is a good one.

The President: Should we begin?

President Yeltsin: We always speak candidly, openly with one another. We can speak publicly about disagreeable things. I have an issue to raise. Well, some hitches notwithstanding, we continue to abide by the rules we established. Balanced interests, a willingness to make compromises. This is a little hard for me to say, but I have the impression that the U.S. approach to Russia is inadequate. Of course, we are striving to eliminate nuclear and conventional weapons. But there are some officials in the White House and Congress who believe that Russia has lost its superpower status. Of course, not you personally, Bill. You must behave as you must. But some of your promises have not been kept due to red tape in the bureaucracy. For example, who is throwing sand in our peacekeeping efforts in Ossetia, Nagorno-Karabakh, Georgia and Tajikistan? We are not in agreement on all foreign policy issues.

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What of the promises made? For example, Jackson-Vanik. Things are left hanging in mid-air. There is no progress on COCOM. On CFE flank restrictions, there is no progress there either. On Bosnia, don't lift the embargo.

People need to see progress, or there will be a cooler partnership. I don't think that will be the case. Russia is not consulted on some issues but Russia is a great power. I don't want to provoke public opinion here, so we should discuss one-on-one, not in the full delegation. We should discuss, for example, GATT and the WTO. Incidentally, we decided to join MTCR.

The President: We need a longer discussion on Nagorno-Karabakh. Let me respond to the other points.

First, I have tried in every way to relate to Russia and to you as a great power and to enhance your role, whether in the G-7 or bilaterally.

On Jackson-Vanik, I did everything I could under our law by ending the annual review. We have to get the law repealed. But I acted as I could. There will be no elections next year, so it will be easier.

President Yeltsin: Why don't you issue an executive order to suspend it?

The President: I did it last week. We announced it.

Mr. Lake: There will be no more annual reviews.

President Yeltsin: This is good news.

The President: On CFE, here is the dilemma. I have said before, and will repeat, that you have a real, legitimate problem. Can we resolve this while preserving the integrity of the treaty? If we open up the treaty, others can change it and could create problems for you. Major told me he proposed trilateral discussions to help resolve the problems so that we can take it to Vienna to resolve.

President Yeltsin: Major said the treaty would only be in force until 1995, then a new treaty would take effect in 1996. It will take the three of us to decide on the year.

The President: Our experts have ideas on how to resolve the problem. Perhaps we could let them discuss it, then we could pick it up again tomorrow.

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President Yeltsin: Okay.

The President: On COCOM, I want to resolve it, if we can, by tomorrow so that we can move on to a successor regime to COCOM.

President Yeltsin: Yes, but I want to contribute to the crafting of the successor regime. Russia should be treated as an equal to settle this more effectively.

The President: The only issue is your cooperation in ending the new sales to Iran. We have discussed this twice before--your meeting contracts from the past. We want you in the new regime. But we need an end to the new sales, and a relatively rapid phaseout of current contracts.

President Yeltsin: I can give you my assurance that no new supplies will be made and no new deals. I will not make any new deals. What we took over were old contracts and we must abide by them or there will be \$500 million in penalties. So, let us agree on this compromise.

I assure you there will be no new deals with Iran and that Russia will contribute to the new COCOM list. But the problem is that when we discontinued our deliveries to forty former communist countries when they couldn't pay, there were (no) penalties. But Iran pays us.

The President: As part of this, are you willing to tell us what the contracts are, what weapons are involved?

The President: Yes, we are prepared to do so.

The President: If there are no new contracts, and you will disclose what current ones are; we can go forward.

President Yeltsin: We will tell you about existing contracts. There will be no new ones.

The President: On MTCR, we will sponsor you in October; you will be eligible for full membership next year.

President Yeltsin: There are only technicalities left.

The President: Yes.

On Bosnia, we are opposed in principle to the U.S. unilaterally lifting the embargo. As a matter of tactics, now is a bad time for the international community to lift. And as you well know, even the Bosnian government has asked for four to six months delay in implementing the lift.

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President Yeltsin: I discussed this with Boutros Ghali. He supports a delay.

The President: We all do. There are two problems. In the U.S., there are big majorities in both houses of the U.S. Congress to lift, either because they are on the side of the Bosnian government or they think this is a way to do something in Bosnia without U.S. troops. Or some want to tie my hands for political reasons. So we agreed to seek action in the UN if the Contact Group had not succeeded and to start the process of unilateral U.S. action if the UN did not act. Now that the Bosnian government itself has called for a delay in the lift, that will buy us a little more time.

President Yeltsin: You should realize if the embargo is lifted, it will provoke big bloodshed.

The President: You have done what you said you would. Good job in getting Milosevic to act to isolate the Bosnian Serbs.

President Yeltsin: I disengaged from them.

The President: I agreed to send Americans for border monitors. I agreed to some minor lifting in sanctions against Belgrade.

President Yeltsin: Yes, but only sports, culture, air flights. Nothing of economic importance.

The President: We have problems with the Croats, the Bosnian Federation--there is no recognition of their borders. I met with Tudjman, Itzebegovic. We are trying to bring them along. But on Bosnia there are two problems.

In the short run, the Bosnian Serbs are violating the exclusion zones, Sarajevo is isolated. The British, Canadians and French don't want airstrikes. The larger problem is we can't get the Bosnian Serbs to accept the Contact Group proposals. What are your ideas on how to get them to do so?

President Yeltsin: Yes. I continue to stay in touch with Milosevic. I sent Kozyrev and Grachev to prevent their taking drastic action. The Moslems started first. We need to get them all to the negotiating table, and we should sit with them. I made this proposal long ago. It would apply great pressure on them. We should include the Contact Group members, the French, UK, Germans etc. Kohl said the Germans have influence with the Croats. Now they are accusing Milosevic of betrayal--want to topple him. We can't let that happen. We need to encourage him.

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The President: What about Sarajevo? If we raise the level of negotiations, we at least need to know things will not get worse. What of Sarajevo?

President Yeltsin: I believe Milosevic is the key figure. We can get an end to the conflict through Milosevic, not Karadzic who is very dangerous.

The President: Let me ask a prior question. You have Karadzic, Mladic and the Parliament which are opposed. They believe they can survive a few years even if Milosevic cuts them off. Do you believe Milosevic can bring them around?

President Yeltsin: Well, Milosevic is hard pressed now. He needs encouragement to improve his position against insane radicals in the Parliament. I believe in Milosevic. Mladic is being taken care of, psychologically, by Grachev. They had a long night, a couple of shots of vodka, good discussion.

The President: Might be the solution to the whole thing. I will respond to your idea of a one-day conference in Europe. And also how we might respond to Milosevic. And it is good he has taken observers. We could do a little on economic issue with Milosevic it he can make progress in recognizing the territorial borders of Bosnia and Croatia.

President Yeltsin: I'll tell Milosevic about your proposal. That it is a good proposal. Milosevic will react positively.

The President: I know this has been hard for him. But the whole region is smoldering with suspicion. If we can get border recognition, we can do more on sanctions and this will help isolate the aggressors by organizing everyone else.

President Yeltsin: (nodded)

The President: It is time for lunch.

President Yeltsin: We need to meet one more time.

The President: For later: I've been thinking a lot about Nagorno-Karabakh. What it means for us, and you especially. There are some parallels to Haiti (regarding international support/authorization for action). So, I really think this is something we need to discuss between ourselves. We will meet at four p.m. with delegations. We can go through our understandings. We can then break to talk about Nagorno-Karabakh; then back to the delegation. This is a big deal for you. We need a one-on-one on it.

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President Yeltsin: Okay. Ten to fifteen minutes.

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