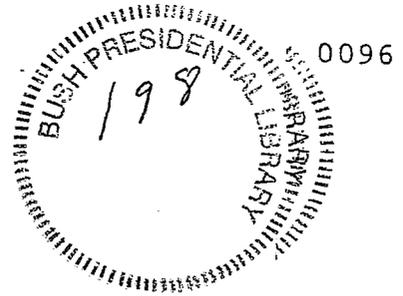


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THE WHITE HOUSE
WASHINGTON



MEMORANDUM OF CONVERSATION

SUBJECT: Expanded Bilateral Meeting with Mikhail Gorbachev
of the USSR (U)

PARTICIPANTS: The President
James A. Baker, III, Secretary of State
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President
for National Security Affairs
Jack F. Matlock, U.S. Ambassador to USSR
Marlin Fitzwater, Assistant to the President and
Press Secretary
Reginald Bartholomew, Under Secretary of State for
Security Assistance
Robert Zoellick, Under Secretary of State for
Economic Affairs and Counselor
Dennis Ross, Director, Policy Planning Staff,
Department of State
Ed A. Hewett, Senior Director for Soviet Affairs,
NSC Staff (Notetaker)
Interpreter

Mikhail Gorbachev, President
Nursultan Nazarbayev, President of Kazakh SSR
Valentin Pavlov, Prime Minister of USSR
Aleksandr Bessmertnykh, Foreign Minister
Mikhail Moiseyev, Chief of General Staff of Armed
Forces
Valeriy Boldin, Chief of Staff
Anatoliy Chernyayev, Advisor to the President
Aleksy Obukhov, Deputy Foreign Minister
Viktor Komplektov, USSR Ambassador to the US
Interpreter

DATE, TIME July 30, 1991, 12:55 - 1:22pm
AND PLACE: St. Catherine's Hall, Kremlin

President Gorbachev: I want to welcome you. I understand we will
be having lunch soon. (U)

I am satisfied with the visit. We've already talked about a wide
range of issues. (U)

First, I want to say that I am prepared to develop relations, and
to fill them with a new quality. This is our choice. This is
the Soviet leadership line. (C)

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We will return to this question tomorrow in the fresh air of Novo Ogarevo to ponder where we stand and act in this situation. (C)

As I said on the eve of the meeting in the U.S., if the relationship becomes weaker, we will defend it. It is important. We have a joint interest in cooperation, in Europe, and elsewhere. (C)

You can act on the assumption that this is our choice. It meets the long-term interests of the U.S. and the Soviet Union. (C)

Second, Mr. President, I explained the peculiarities of developments in the USSR. I am grateful to you for your interest. I consider it the wish of the President of the United States to understand our reality. I see interest based on a search for ways to cooperate today. (C)

This is not an easy matter. The questions you raised enable me to say our partnership is growing. We are trying to understand each other better. (C)

We also discussed economic cooperation. We want to depend much more on the U.S. in economic terms -- not slavishly or out of weakness. We want to develop and build our relationship. We should be predictable for you. When countries are linked by economic cooperation at a certain level, they become more predictable. (C)

It might seem a paradox that we want to depend more on you -- but that's our line. (C)

We discussed in the one-on-one the subject of "great" projects, which can only be done with the participation of the U.S. These are concrete proposals. (C)

We are awaiting those delegations you discuss in your letter [before the London G-7 meeting -- EH]. But I remind you, there are [also] some issues of great importance for us: 1.) large projects, and 2.) convertibility. I discussed this with the President, and we agreed to work on it at the expert level. (C)

Also, as I told you in London, it is important that we have cooperation. But we are hampered by restrictions on your part. I would like to return to that topic. (C)

I advanced an idea. We need to earn money to pay back for services we receive from you. We want, for example, machinery for the food industry. We cannot, however, pay you with the additional food we produce. You don't need more food. The money must come from other sources. (C)

We need to link cooperation in areas such as food production with space research, defense conversion, etc. We could develop liquid hydrogen engines. Your experts like our technology there. Or, we could launch satellites, which is a \$12 billion market. (S)

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There are probably other areas. The remnants of the Cold War need to be eliminated. ~~(C)~~

(b)(1)

President Gorbachev: I ask once again in the presence of the delegation that the President instruct them to consider membership [for the USSR] in the IMF. I have big problems in the next 1-2 years. Call us what you like -- "associate members," "half associate members." It is important for us to use that fund. ~~(S)~~

So, I express satisfaction with the beginning of our discussions, as we are raising major issues of discussion. ~~(C)~~

The President: Thank you. I know we are short of time. I would like to offer a few brief comments before lunch. (U)

First, U.S.-Soviet cooperation does not run counter to our interests. What we are talking about with the Soviet Union is in our interest. ~~(C)~~

Second, I agree that the partnership is growing. Your willingness to welcome our administration people -- Agriculture and Treasury -- is important. They can work out the details, for example, on the IMF and the World Bank. ~~(C)~~

Third, I am grateful to the military for their hospitality to Colin Powell. That kind of military exchange is useful. It reduces the chance of surprises. ~~(S)~~

Fourth, on IFI's, just one word. Associate membership is not an effort to put down the USSR. The Soviet economy is so potentially enormous, and facing enormous problems, that it requires special handling. It could dominate other countries. ~~(C)~~

We're talking about exactly what you want, without the burden of full membership. Everyone has the right to apply. ~~(C)~~

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(b)(1)

Sixth, on projects. We'll look over the specific projects you raised. We can talk later about what we are doing -- the trade agreement, MFN, Stevenson and Byrd.

We will help. I approach this in terms of what is in the interest of the U.S. But what is good for the U.S. is good for you.

President Gorbachev: I am sure mutual interest will advance our cooperation. (U)

-- End of Conversation --

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