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THE WHITE HOUSE  
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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: BRENT SCOWCROFT 

SUBJECT: Overview for Your Upcoming Meetings With Boris  
Yeltsin, June 16-17

Boris Yeltsin has very high expectations for next week's summit. He hopes to use the summit with you to build on your Camp David meeting by producing tangible evidence to his domestic opponents that the relationship with the U.S. pays off. He will be looking for public indications of our respect for him as a leader, and for Russia as a great democratic power (albeit in temporary difficulties). He will be acutely sensitive to any, even inadvertent, effort to gain advantage from Russia's current economic weakness (say in the arms control area). Finally, he clearly hopes that you will help unlock the \$24 billion so that Russia can use the money now.

**The U.S. Stakes at this Summit**

The U.S.-Russia relationship is vitally important for us, and the stakes are high for this summit. The young democrats in the Russian government, who have moved quickly to transform the domestic and foreign policies of the former Soviet Union, are now increasingly on the defensive.

- The Yeltsin/Gaydar economic policy is causing tremendous hardship for the Russian people, with little prospect for a turnaround soon;
- Russians are reminded daily that Russia is not the super-power the Soviet Union once was, and they wonder whether Yeltsin is to blame;
- They see Russian minorities in the other new states being treated as pariahs, and they feel the effects as refugees stream back into an already crisis-ridden Russia.
- The West seems at times eager to take advantage of Russian weakness, and many charge that reformers such as Kozyrev seem too prone to give in to our wishes.

In response to brutal right-wing criticism that his market economic reforms are ruining Russia, Yeltsin decided to bring

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Yeltsin decided to bring into his government some relatively conservative figures who represent the old defense industrialists, most notably new First Deputy Prime Minister Shumeiko (who formally is of equal rank with Gaydar). We still are not sure what this will mean in the long term for the policy directions of the Yeltsin government. In the message Yeltsin sent to you through Ambassador Lukin on June 5, Yeltsin was at pains to say this meant no change in his policy. Embassy Moscow and others believe the new appointments could represent the first sign of Yeltsin's faltering support of a radical economic reform program.

When Andrey Kozyrev met with you on June 9, he warned us that if we push the democrats too far, too fast, the government could actually fall. Such an outcome may not be far-fetched, at least not by later this year when the population has lived through six more months of reduced living standards, and high rates of inflation and unemployment. We need to be sensitive to how we can help Yeltsin -- in the economic area for example -- and what we are asking him to do -- for example in the area of strategic offense and defense. Are we asking for so much, and offering so little, that we might push the democrats over the brink? Are we paying enough attention to our long-term, as opposed to our short-term, interests? We will need to pick our issues carefully, being very careful not to play on Russia's weakness.

#### **What We Can Offer at the Summit**

We can certainly meet some of Yeltsin's needs at the Summit. The symbolism of a State visit is of enormous significance to Yeltsin because that conveys the respect he craves and needs. You have set aside time for a more informal session at Annapolis which will permit a wide-ranging discussion of the sort you conduct with only the most important world leaders. Finally, you will be signing with Yeltsin the Washington Charter, a memorandum which builds on your joint Camp David Statement by outlining the new Russian-American cooperative relationship.

On economic issues Yeltsin is hoping, as he indicated to you through Ambassador Lukin, that you will intervene with the IMF and your G-7 colleagues to speed up agreement on the \$24 billion package. In your meeting on June 9 with Jim Baker and Nick Brady you agreed that we should not step into the middle between the IMF and Russia. But we can work with Russia and the IMF to focus on those few really important elements of a Standby Agreement, and then work with the IMF to come up with a no-frills, but economically defensible, agreement as soon as possible.

Expanding our trade and investment with Russia is also critical for Yeltsin's success. He badly needs a mass infusion of capital and technology from the West. We should make this one of the most important summit issues by assuring Yeltsin of our eagerness to promote trade and investment in Russia, noting recent

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agreements to establish OPIC and EXIM programs, as well as the Bilateral Investment and Tax treaties which you will sign with him at the Summit. You and Yeltsin can highlight this issue publicly in your speeches to the U.S.-Russia business conference organized by Commerce. We also have some good ideas on technical assistance which you and Jim Baker can exchange with Yeltsin. Finally, Barbara Franklin will host a meeting with key CEO's on Wednesday morning, to give Yeltsin a high-powered forum to make his case on doing business in Russia and give the CEOs a chance to tell him about the obstacles in Russia that impede trade.

On military/security issues, we can remind Yeltsin of recent moves we have made to cooperate with Russia in high-technology areas.

- You broke bureaucratic roadblocks, authorizing the purchase of Russian space technology.
- You will sign with Yeltsin a space agreement, and issue a joint statement, which will emphasize our commitment to encourage the Russian space industry to enter the world market.
- At our initiative, COCOM now has a new Coordinating Council which will draw Russia and the other new states into cooperation with that once top secret cold war institution.

All of these actions will give Yeltsin ammunition against domestic critics who argue that the U.S. is out to destroy Russia's defense-industrial complex.

We still face major challenges in coming to agreement with Russia on strategic offenses and defenses. The issues may not be resolved here until right before your meeting with Yeltsin. As you saw in the meeting with Kozyrev, arms reductions beyond START, particularly our effort to achieve complete de-MIRVING in seven years, seem to be one of those issues which the Yeltsin government cannot manage with a conservative military and distrustful Parliament, given its current weakness. Strategic defenses, especially the changes we need to the ABM Treaty may fall into the same category. We shall have to see what they can do, and whether we can agree to it.

Yeltsin and Kozyrev's transformation of Russian foreign policy and their desire for Russia to remain a major world power have promoted much closer cooperation with us on regional foreign policy issues. We should discuss with Yeltsin how to combine our efforts to promote effective UN or CSCE efforts to promote peace in Yugoslavia, Moldova, and Nagorno-Karabakh. If we can help to restrain Russia from direct involvement in these conflicts, and develop instead its cooperative role through international institutions, that will be a major positive factor for peace and stability in the region. We are also working on joint statements

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regarding Yugoslavia, Cuba, and North Korea which will further demonstrate the new era of cooperation brought about by the disintegration of the former Soviet Union.

There are, nevertheless, some regional issues on which we still have disagreements with Russia. We want to be supportive of Japanese efforts to successfully regain the Northern Territories in a way that does not weaken Yeltsin at home. You should offer our assistance in communicating with the Japanese. We also need to gently urge Yeltsin to pay more attention to the footdragging of Russian negotiators on Baltic troop withdrawals. If there is not some movement on this issue soon toward setting an eventual timetable for Russian withdrawal, we could face a serious crisis in that part of the world, with ramifications for the larger U.S.-Russian relationship.

Finally, Russian relations with the other newly independent states of the former Soviet Union also affect our relationship, and we should somehow find a way to discuss them, probably in the one-on-one. After formally recognizing the independence of the other new states, Russia has moved slowly to actually establish relations, and to begin treating them as truly sovereign nations. Clearly, traditionalist and nationalist forces in Russia are having second thoughts about even recognizing the independence of states such as Ukraine. We should do what we can to encourage Yeltsin to go ahead in building relationships with these new states, both because that will contribute to stability in the entire region, and because it will directly serve our interest in fostering democratic and market reforms throughout the entire territory of the former Soviet Union.

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