Chapter 11

Money for Moscow: The West and the Question of Financial Assistance for Mikhail Gorbachev

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Money was a major lever, so some have argued, to "buy" the Soviet Union's consent to Germany's unification and to its membership in NATO. Indeed, West Germany's bilateral financial assistance for the Soviet Union facilitated the negotiations over Germany's unification in 1990. Thereafter, international coordination of Western help for the Soviet Union and Russia failed for a number of reasons: the Soviet Union failed to produce a convincing plan for comprehensive economic and financial reform, to halt support for communist Cuba, or to stop suppression in the Baltic republics; the George H.W. Bush Administration, other Western partners and international financial institutions were not willing to lend substantial funds to Gorbachev under those circumstances; and the Germans could not maintain the level of funds for Moscow on account of the enormous cost of unification.

During the first half of 1990, after the fall of the Berlin Wall but before German unification, the government of the Federal Republic of Germany, led by Chancellor Helmut Kohl and Foreign Minister Hans-Dietrich Genscher, together with West German banks were the only sources of funds for Gorbachev. Helmut Kohl had a precise understanding for the relevance of financial assistance as well as for the importance of its timing. Speaking at a board meeting of his party, the Christian Democratic Union (CDU) on April 23, 1990, Kohl reiterated that "economic relations with the Soviet Union would be of pivotal significance for the process of unification." He pointed out that "for the Soviet Union, the question of future economic ties would eventually matter more than NATO membership for unified Germany." Kohl was convinced that "generous economic cooperation with the Soviet Union would facilitate the resolution of the existing security problems."[1]

Germany accounted for the lion's share of Western financial assistance to the East. From 1990 until 1993, Germany provided 80 billion

Deutschmarks (DM) in assistance to the republics of the former Soviet Union and 105 billion DM to the Central and Eastern European countries. This amounted to 60% of the financial support provided to these countries. In the words of German Defense Minister Volker Rühe, it was "an essential element of Euro-Atlantic security."[2]

This chapter looks into U.S. and German policies and financial aid during the negotiations over Germany's unification.[3] It explores the international process of coordinating financial assistance for Moscow as its economic system crumbled. It examines Western efforts to bolster Mikhail Gorbachev's position trying to tie the disintegrating Soviet Union to the West and to produce a soft landing after the breakup of the country in December 1991.

U.S. President George H.W. Bush's position in 1990 and 1991 was that fundamental reform in the Soviet Union had to come first. His assumption was that the absence of conditionality would result in wasted resources and do nothing to encourage the transition to a market economy. Bush wanted to see Soviet deeds in Cuba and in the Baltics as a precondition for U.S. financial aid. When Mikhail Gorbachev faced a financial meltdown and sought billions of dollars to stabilize the Soviet economy, Bush said he would consider a deal if the Soviets stopped subsidizing Havana's communist regime and if they withdrew their troops from Cuba.[4] Second, Bush wanted Gorbachev to respect the drive for self-determination and independence in the Baltic countries. Last but not least, financial aid would be tied to a halt in the nuclear arms race and to the conclusion of the START Treaty in 1991.

The Kohl administration in Germany was in a different position. Kohl did not worry about Bush's global concerns. Kohl wanted Germany's unification and a new Euro-Atlantic security structure, and he was willing to use unprecedented amounts of financial aid as a catalyst for his diplomacy. Bush made it clear that he expected the Germans to cover the bulk of the cost of whatever aid Gorbachev required to justify the loss of East Germany. Thus, the Kohl government unilaterally funneled massive amounts of assistance to Moscow to shore up the Soviet economy and cover the cost of removing Soviet forces from East Germany.[5]

During the first months of 1990, Helmut Kohl sensed that financial assistance for the Soviet Union was a pivotal way of winning over

Gorbachev.[6] The Soviet Union's economic condition was rapidly deteriorating, Gorbachev could not master his domestic problems without foreign aid and credit, and it was clear that the Federal Republic of Germany was the obvious candidate to provide the kind of financial aid that the Soviet Union needed. Time and again, President Bush indicated that Bonn would bankroll Gorbachev, not Washington. "You've got deep pockets," he told Kohl in February 1990. Kohl understood. "The Soviets are negotiating. But this may end up as a matter of cash. They need money," Kohl said.[7] Indeed, Kohl had long envisaged trade and credits as key components of his *Ostpolitik*.[8] Economics had been an essential part of his rapprochement with Gorbachev.[9]

Kohl was right in his gut feeling about Moscow's priorities. He was right to think that financial assistance would be a decisive element to win over Gorbachev. The price was high. Moscow was seeking 20 to 25 billion Deutschmarks in credit. On May 4, 1990, Soviet Foreign Minister Eduard Shevardnadze asked Kohl for major financial assistance in support of Gorbachev's *perestroika*.[10] By sending Shevardnadze to ask for money, Gorbachev established a link between financial assistance and the solution of the German question. Against the background of its liquidity crisis, the Soviet Union was no longer able to secure loans on its own on the international credit market.[11]

Kohl believed that it was important to lend to the Soviet Union to keep Gorbachev in power and to secure his permission for unification. In May 1990 he convinced two of Germany's financial leaders, Hilmar Kopper of Deutsche Bank and Wolfgang Roller of Dresdner Bank, of this rationale. On May 13, both flew to Moscow with Kohl's chief foreign policy adviser Horst Teltschik. Teltschik's main task on the trip was to convey German willingness for credits in return for Gorbachev's consent to unified Germany's membership in NATO.[12]

Gorbachev was in a tight spot. Presumably in an effort to save face, he told Teltschik that the Soviet Union would not be dependent on any other country. Rather, as he emphasized, the Soviet Union was seeking an investment in its future: "We need oxygen in order to survive two or three years," he explained.[13] A couple of days later, on May 17, 1990, Kohl traveled to Washington trying to convince Bush of the need to lend to Moscow in order to keep Gorbachev in power. Kohl asked, "Do we want to help him or see someone else? I think it is him."

Bush, however, did not endorse the idea that the West ought to loan money to the Soviet Union in the circumstances of May 1990: “On loans, I don’t see that without reform,” Bush emphasized.[14] Thus, in June 1990, the Kohl government took the decision to funnel unilaterally massive amounts of assistance to Moscow to shore up the Soviet economy. Deutsche Bank and Dresdner Bank gave the Soviet Union a DM 5 billion loan with a government guarantee. Horst Teltschik recalled that Gorbachev reacted “euphorically” on hearing the news.[15] The credit was the ideal stage setter for the Kohl-Gorbachev summit in July 1990.

During their Moscow talks on July 15, 1990, Helmut Kohl recalled the 5 billion DM that he had organized, and he then explained that he needed a plan for Soviet troop withdrawal and agreement that united Germany could enter NATO.[16] The following day, Gorbachev invited Kohl to his home region of Stavropol. Despite the underlying mood of optimism, there was still a debate under which conditions a united Germany could join NATO. Other open questions abounded. How long would Soviet troops be allowed to stay in eastern Germany? How much financial aid would the Soviet Union receive for their withdrawal? Eventually, Kohl and Gorbachev agreed to a three-to-four year withdrawal period.[17] However, there was still no clarity over the kind of financial aid the Soviet Union would receive for the withdrawal. As things turned out, Kohl and Gorbachev had to settle the amount in a number of contentious phone calls in September 1990. The price tag for Gorbachev’s concessions: more than 20 billion DM.[18] It was the price for unification and sovereignty, and Kohl paid up.

In the summer of 1990, the next step for Kohl was to coordinate Western help within the G-7 and the European Community. However, he was not successful in either endeavor.

Looking back at the Dublin Summit of the European Community (EC) in June 1990, Margaret Thatcher writes in her memoirs that she “took most satisfaction […] at this Council from stopping the Franco-German juggernaut in its tracks on the question of financial credits to the Soviet Union.”[19] Thus, in August 1990, Helmut Kohl struck a deal with EC Commission President Jacques Delors. Both agreed that Germany had to carry the costs to for unification. There would be no additional costs the other EC countries. It was a move to prevent any possible opposition within the EC, and it was also a means to prevent the poorer EC members from complaints that they would lose out.[20]

In the summer of 1990, before the EC discussions, Kohl tried to get his colleagues at the G-7 summit in Houston to adopt a more generous multilateral approach on financial assistance for the Soviet Union. Prior to the summit, Gorbachev had sent Bush a letter asking for a large-scale assistance program. But at the Houston summit, Bush again emphasized that absence of conditionality would result in wasted resources and do nothing to encourage the transition to a market economy. He argued that "the Soviets have not been very specific in saying what they would do with this money. […] Without reforms, there will be no growth. Substantial Western foreign assistance to him [Gorbachev] at this time, when market-based reforms are not in place, would not be effective, would not further productivity and growth, and would not increase the Soviet ability to service Western loans."[21] Kohl countered and made the case for a positive approach in an effort to facilitate reforms in the Soviet Union. He argued that "we also have an opportunity to arrive at restructuring of the USSR. If Gorbachev succeeds, then the USSR will be much better in the future. This is a fact. We need to use the opportunity to influence positive developments. […] We cannot reply in a discouraging way to Gorbachev. I support President Bush's point that our aid should not be mindlessly thrown at the USSR. It must be addressed at a concrete program of reform. Experts, specialists must be provided. We should make our response positive."[22]

In the end, however, the Houston G-7 summit did not produce the results Kohl envisaged. The G-7 could not agree on a common approach for financial assistance. The Bush administration was not in a position to follow Kohl's approach. George Bush and his senior advisers had already discussed the question of guaranteeing loans for the Soviet Union. Bush and his foreign policy team anticipated that there would be no Congressional approval. Bush's National Security Adviser Brent Scowcroft pointed out that "the principal barriers are Lithuania and Cuba—holding up [a] cooperative relationship."[23] While asking for loans, the Soviet Union was still subsidizing Havana's communist regime. The global Cold War and regional US-Soviet conflicts were still alive.[24] Bush believed that the global power competition stood in the way of more substantial U.S. financial assistance. Another challenge was the fact that the Soviet leadership lacked knowledge and understanding of market economies. Michael Boskin, Chairman of the Council of Economic Advisors, concluded that there were "very few people among the top economic policy makers, and perhaps among all the economists in the Soviet Union, who understand how an economy really functions."[25]

Against the backdrop of the stalemate at the Houston G-7 summit, U.S. Secretary of State James Baker suggested that the G-7 needed a study on the Soviet economy in order to have a basis for decision in the future. His recommendation was to have the International Monetary Fund and the World Bank involved. Initially, the Europeans were skeptical as both institutions had the reputation to apply strict criteria for loans. On the second day of the Houston summit, the G-7 agreed to have the study prepared under the auspices of the IMF and to also involve the World Bank, the OECD and the newly established European Bank for Reconstruction and Development (EBRD).[26]

On December 21, 1990 the IMF presented a 2000-page analysis of the Soviet economy. It concluded that Gorbachev's *perestroika* had just touched the surface of the Soviet Union's economic problems. The IMF demanded deep structural reforms as a precondition for loans. Moreover, the IMF study cautioned against rushed and direct financial assistance, arguing that "the date on which far-reaching reform will be introduced is not now known and the requirement for balance of payment assistance will have to be re-evaluated in the light of the prospects at the time."[27]

Bush stuck to his cautious approach to financial aid. In September 1990, at his summit meeting with Gorbachev in Helsinki, he promised more long-term aid, but not from his own coffers. "As you know, we don't have the cash for large economic assistance," he told Gorbachev.[28] Gorbachev's domestic critics balked at the way he stood firmly at the side of the United States in the international coalition against Saddam Hussein giving the United States a free hand in the Middle East. But Gorbachev remained committed to the alliance with Bush. As Jeffrey Engel wrote, the deal was "Moscow's compliance in the gulf, as with its earlier concessions on Germany and NATO, in exchange for Washington's continued blessing and the promise of aid."[29]

Bush tried to normalize U.S.-Soviet trade relations step-by-step, ending trade restrictions and the economic aspects of the Cold War. He was as forthcoming as he could be, given pressures in Congress to tie the normalization of trade relations to increased Jewish emigration from the Soviet Union. In December 1990, Bush suspended the Jackson Vanik Amendment for six months—Congress had passed the amendment in 1974, denying permanent normal trade relations status to the Soviet Union and other countries that restricted emigration of religious minorities. However, Bush still withheld most-favored nation treatment from the Soviet Union. He proposed to grant the Soviet Union associate IMF and World Bank membership so that Moscow could access the financial advice that both institutions could provide.

In January 1991 there were renewed setbacks when Gorbachev sent additional Soviet troops to crack down on the movement for independence in Lithuania.[30] On January 13, 1991, the situation turned into tragedy. Soviet troops fired into demonstrators in Vilnius, killing fifteen. The same evening, January 13, James Baker discussed the issue with British Prime Minister John Major. Baker asked: "Was Gorbachev still fully in control? Or had the military taken the law into their own hands?" Baker's conclusion was: "It would be difficult to proceed on the present path with the Russians if the repression continued or got worse."[31] Following the massacre in Vilnius, the IMF suspended the Soviet Union's application for associate membership, and G-7 Finance Ministers declared that they would no longer discuss new funds for the Soviet Union.[32] The situation only improved after the new Soviet Foreign Minister Aleksandr Bessmertnykh travelled to Washington to assure Bush that "the policy of *perestroika* and new thinking […] will continue."[33] Ultimately, the Soviet Union recognized Lithuania's independence on September 6, 1991.

The Lithuanian crisis seriously strained U.S.-Soviet relations. The Moscow summit, originally scheduled for February 1991, had to be postponed until late July. The Bush administration was still keenly interested in Gorbachev's political situation, hoping that he would survive long enough to sign the long-awaited START Treaty. In January 1991, Gorbachev demonstrated his willingness for reforms through the Pavlov Plan intended to withdraw money from circulation for reallocation to the production of consumer goods, which were in short supply. On January 1, 1991, under the orders of Soviet Minister of Finance

Valentin Pavlov, the Government freed 40% of prices from state control, and introduced a 5% sales tax.[34] Moreover, in addition to this domestic program, in the spring of 1991 Gorbachev addressed the West through the so-called Yavlinsky plan, a program with the goal to turn the USSR into a normal market economy with a Western structure in the shortest possible time, including macroeconomic stabilization, economic liberalization, private sector development, and a new constitutional structure linking the union and the republics. The idea was to implement the plan under the auspices of economist Grigory Yavlinsky, who spent several months at Harvard where he co-authored the reform program jointly with Graham Allison of Harvard in 1991. In addition, the plan envisaged a redefinition of the relationship between the Union and the republics that choose to participate in it. Last but not least, as IMF analysts pointed out, "envisaged but not stated in the draft program is a request for Western aid of around $150 billion over 5 to 6 years, of which the US would be asked to contribute directly only $3 billion a year."[35]

In these ways, Gorbachev sought to address Western concerns that its assistance could trickle away. By having conservative Yevgeny Primakov sign the program, Gorbachev sought to demonstrate that the program had support among Soviet conservatives as well. Taken together, Gorbachev's initiatives were aimed at a "grand bargain" with the West.[36]

Gorbachev sought to use the Yavlinsky program as a way to convey his willingness for serious economic reforms. The plan was a lever to voice his requests for massive Western aid at the 1991 G-7 summit in London. Gorbachev wanted the industrialized countries of the West to restore the Soviet economy. Bush was not convinced. In May 1991, he told Gorbachev that "in the spirit of frankness, our experts don't believe Pavlov's anti-crisis program will move you fast enough to market reform. If there are more steps toward market reform effort, then we could do more and help especially with the international financial organizations."[37] The question for the London G-7 summit in July 1991 was whether or not the West should prepare a more ambitious strategy promising support for Soviet adherence and implementation of a truly wide-ranging economic reform program.

The U.S. attitude was clear. On June 24, 1991, Bush called Kohl in order to discourage him from seeking a more forthcoming attitude at the G-7 summit. Bush made the point that "we are trying to avoid any talk of a so-called great bargain...We are unanimous that the so-called anti-crisis program is unworkable and that the only good thing would be something like Yavlinsky is proposing. Yavlinsky, however, wants a large aid check up front."[38]

Gorbachev's association with the London G-7 summit raised a multitude of questions: If he was to be invited, it was necessary to give very careful thought to the precise modalities: Would he be invited before or after the summit? How could a precedent be avoided? How could the link between Western help and the necessity for Soviet reform be emphasized?

Eventually, Prime Minister Major invited Gorbachev to come at the end of the summit and to take part in a joint meal. In early July 1991, Bush wrote Gorbachev a letter in order to underscore his interest in the success of Soviet reform. At the same time, he made it clear that he did not want the summit to commit itself to financial assistance: "It will be primarily Soviet sources, not imported sources, which will serve as the basis for a successful turnaround in the economy."[39]

The London G-7 meeting with Gorbachev was indeed a historic one and the first one of its kind. The President of the Soviet Union would address the elite club of capitalist nations asking for financial assistance. Gorbachev introduced his reform program and reaffirmed his commitment to repay debts. Moreover, he did not ask for debt rescheduling, as such a move would have like been perceived as an act of default, thus cutting off the Soviet Union from international credit. Gorbachev's commitment to market reform was remarkable. It would have been inconceivable two or three years earlier. At the same time, Gorbachev still lacked a concise script for reforms. Nigel Wicks, the British G-7 Sherpa, pointed out that "the status of the economic reform program... was not very clear. Gorbachev describes it as 'open-ended and flexible,' but it appears to be little if at all different from the Pavlov plan. It seems to have pushed the more radical element of the Yavlinsky program to one side. But has some thinly disguised proposals for financial assistance."[40]

All G-7 leaders except Helmut Kohl and François Mitterrand asked Gorbachev questions that implied that he should move faster toward a market economy. Helmut Kohl did not want to push Gorbachev at the G-7 summit. He remained silent and tried his best to reassure a nervous Gorbachev.[41] Mitterrand was alone among the speakers arguing that Gorbachev should not move too radically on privatization, but choose a "middle path" and "a happy synthesis between private enterprise and the role of the state."[42] Bush was still opposed to a multilateral G-7 commitment to Soviet aid. He argued that "as for a follow-on mechanism, each nation has its own bilateral problems to work out."[43]

In 1991, it became apparent that the Kohl government had reached the limits of its capacity for additional financial aid. It was questionable whether or not the German economy would prove robust enough to cope with the enormous costs of unification and the transformation of the East German economy. Germany's Council of Economic Advisers frequently warned against the risks involved.[44]

At the same time, Kohl was still willing to help Gorbachev stay in power, even though the future of the USSR was in the balance. The Soviet economy continued to crumble, and the internal battles raged over a new Union Treaty, the introduction of market reform and the independence of the Baltics.[45] The USSR failed to stabilize. In August 1991, a group of hardliners in the Soviet government tried to take control of the country and depose Gorbachev. They were opposed, mainly in Moscow, by a short but effective campaign of civil resistance led by Russian President Boris Yeltsin. Although the coup collapsed in only two days, it signaled Gorbachev's dramatic loss of power. The USSR was on the path toward dissolution. After the August 1991 coup, Brent Scowcroft argued that "the best we can do in this situation is to push hard for the new union and its constituent republics to engage with the IMF and the World Bank in drawing up economic programs which attempt to head off that inflationary spiral."[46] After the August coup, the centrifugal forces in the Soviet Union were at full force. In the autumn of 1991, it was predictable that Gorbachev would not going to be around much longer. On December 1, Ukraine held a referendum in which 70% of the population voted for independence. On December 8, the leaders of Russia, Ukraine and Belarus signed the Belovezha Agreement to dissolve the USSR and create a Commonwealth of Independent States. In December 1991, James Baker went to Moscow for a last visit with Gorbachev. The Soviet Union dissolved that month. Mikhail Gorbachev lost power. Russia's President Boris Yeltsin was the new leader in Moscow—in June 1991 he had defeated Gorbachev's preferred candidate, Nikolai Ryzhkov. The Soviet Union was gone. The future of Russia and the Newly Independent States was uncertain.

Starting in February 1992, Boris Yeltsin asked George Bush and other leaders for more Western support and financial assistance to motivate and facilitate reforms.[47] Western policymakers acknowledged that the collapse of the Soviet Union was a unique opportunity to help freedom take root in Russia and Eurasia. At the same time, there were also enormous risks involved. There was a new sort of world disorder. The single biggest Western fear was the potential of loose nuclear weapons in the Newly Independent States and loss of control over chemical weapons and biological agents.[48] The West worked for a soft landing providing additional financial assistance in 1992 and in the years to come. In retrospect, it easy to argue that more could have been done. But back at the time nobody could have imagined that the Soviet Union would disappear peacefully and with a whisper.

Notes

1. See Horst Teltschik, *329 Tage. Innenansichten der Einigung* (Berlin: Siedler Verlag, 1991), p. 204.

2. Volker Rühe, "Shaping Euro-Atlantic Policies. A Grand Strategy for a New Era," *Survival* 35:2 (1993), pp. 129–137, here p. 130.

3. For the context, see Mary E. Sarotte, *1989. The Struggle to Create Post-Cold War Europe* (Princeton: Princeton University Press, 2009); Hal Brands, *Making the Unipolar Moment. U.S Foreign Policy and the Rise of the Post-Cold War Order* (Cornell University Press, Ithaca/London, 2016); Kristina Spohr, *Post Wall, Post Square: Rebuilding the World after 1989* (London: HarperCollins, 2019).

4. See Memorandum of Conversation between George Bush and Mikhail Gorbachev, 2 June 1990, in Svetlana Savranskaya and Thomas Blanton, eds., *The Last Superpower Summits. Gorbachev, Reagan, and Bush. Conversations that Ended the Cold War* (Budapest: Central European University Press, 2016), pp. 683–694.

5. See, for instance, Stephan Bierling, *Wirtschaftshilfe für Moskau. Motive und Strategien der Bundesrepublik Deutschland und der USA von 1990 bis 1996* (Paderborn: Schönigh Verlag, 1998); Randall E. Newmann, *Deutsche Mark Diplomacy. Positive Economic Sanctions in German-Russian Relations* (University Park: Pennsylvania State University Press, 2002); Tuomas Forsberg, "Economic Incentives, Ideas, and the End of the Cold War. Gorbachev and German Unification," *Journal of Cold War Studies*, Vol 7, No. 2 (2005), pp. 142–164.

6. See Angela Stent, *Russia and Germany Reborn. Unification, the Soviet Collapse, and the New Europe* (Princeton, NJ: Princeton University Press, 1999); Andreas Roedder, *Deutschland Einig Vaterland* (Munich, Beck Verlag, 2009).

7. Memorandum of Conversation between George Bush and Helmut Kohl, 24 February 1990, https://bush41library.tamu.edu/files/memcons-telcons/1990-02-24--Kohl.pdf.

8. For a recent account on the relevance of Soviet trade for the Federal Republic's *Ostpolitik*, see Stephan Kieninger, *The Diplomacy of Détente. Cooperative Security Policies from Helmut Schmidt to George Shultz* (London: Routledge, 2018).

9. See, for instance, Memorandum of Conversation between Mikhail Gorbachev and Helmut Kohl (Excerpts), 24 October 1998, in Aleksandr Galkin and Anatolij Tschernjajew, eds., *Michail Gorbatschow und die deutsche Frage* (Munich: Oldenbourg Verlag, 2012), pp. 122–126. The German record is edited in the *Akten zur Auswärtigen Politik* volume on 1988, published in June 2019.

10. Memorandum of Conversation between Kohl and Shevardnadze, 4 May 1999, in Hanns-Juergen Kuesters and Daniel Hofmann eds., *Dokumente zur Deutschlandpolitik* (DzD), *Deutsche Einheit*, *Sonderedition aus den Akten des Bundeskanzleramtes 1989/90* (Munich: Oldenbourg Verlag, 1998), pp. 1084–1090; Teltschik, op. cit., pp. 218–221.

11. See Fritz Bartel, *The Triumph of Broken Promises. Oil*, *Finance*, *and the End of the Cold War*, PhD Dissertation, Cornell University 2017.

12. See Sarotte, op. cit., p. 159.

13. Memorandum of Conversation between Teltschik and Gorbachev, 14 May 1990, in: *DzD*, *Deutsche Einheit*, op. cit., p. 115. See Teltschik, op. cit., pp. 230–235.

14. Memorandum of Conversation between Bush and Kohl, 17 May 1990, https://bush41library.tamu.edu/files/memcons-telcons/1990-05-17--Kohl%20[1].pdf, accessed April 4, 2019.

15. Teltschik, op. cit., p. 249.

16. For a most recent account on NATO enlargement, see Daniel S. Hamilton and Kristina Spohr, eds., *Open Door: NATO and Euro-Atlantic Security in the 1990s* (Washington, DC: Johns Hopkins University SAIS/Brookings Institution Press, 2019).

17. See Memorandum of Conversation between Helmut Kohl and Mikhail Gorbachev, 16 July 1990, in *DzD*, *Deutsche Einheit*, op. cit., pp. 1355–1367.

18. See, for instance, Memorandum of Conversation between Helmut Kohl and Mikhail Gorbachev, 7 September 1990, in *DzD*, *Deutsche Einheit*, op. cit., pp. 1527–1531.

19. Margaret Thatcher, *The Downing Street Years* (London: Harper Collins, 1993), pp. 762–763. For the background, see Bierling, op. cit., pp. 82–86. On Thatcher's attitude, see Liviu Horovitz's contribution in this volume.

20. Memorandum of Conversation between Helmut Kohl and Jacques Delors, 20 August 1990, in *DzD*, *Deutsche Einheit*, op. cit, pp. 1479–1481.

21. Memorandum of Conversation, First Main Plenary Session of the 16th Economic Summit of Industrialized Nations, 10 July 1990, https://bush41library.tamu.edu/files/memcons-telcons/1990-07-10--Mitterrand%20[1].pdf, accessed April 5, 2019.

22. Ibid.

23. Memorandum for the Record "Aid to the Soviet Union", 29 May 1990, in: George H.W. Bush Presidential Library (GHWBPL), Brent Scowcroft Collection, USSR-Collapse Files, US-Soviet Chronological Files, Folder

91118-02. Helmut Kohl pursued a different policy towards Baltic independence. In April 1990, in a gesture toward Gorbachev, Kohl and Mitterrand called on Lithuania to suspend application of its declaration of independence from the Soviet Union to facilitate negotiations between the breakaway Baltic republic and the Moscow government. In May 1990, Kohl informed Bush about his talks with Lithuanian Prime Minister Kazimira Prunskienė. Kohl reported he told Prunskienė that "they had done almost everything wrong. I told her that we all sympathize with you, but if you push Gorbachev into a corner you hurt your cause—as in East Germany in 1953 and Hungary in 1956." Memcon Bush and Kohl, 17 May 1990, see https://bush41library.tamu.edu/files/memcons-telcons/1990-05-17--Kohl%20[1].pdf, accessed 10 June 2019.

24. See John-Michael Arnold's contribution in this volume.

25. Memorandum by Michael Boskin, Chairman of the Council of Economic Advisers "Report on my April 7-11 Trip to Moscow," 20 April 1990, in: GHWBPL, Council of Economic Advisers, Michael Boskin Files, NSC Meetings Files, Folder CF 01113-039.

26. Memorandum of Conversation, Second Main Plenary Session of the 16th Economic Summit of Industrialized Nations, 10 July 1990, see https://bush41library.tamu.edu/files/memcons-telcons/1990-07-10--Mitterrand%20[2].pdf, accessed April 5, 2019.

27. See International Monetary Fund/The World Bank/Organization for Economic Cooperation and Development/European Bank for Reconstruction and Development, *The Economy of the USSR. Summary and Recommendations* (Washington DC: The World Bank, December 1990) (Executive Summary), p. 48. For the context, see James M. Boughton, *Tearing Down Walls. The international Monetary Fund 1990-1999* (Washington, DC: The International Monetary Fund, 2012). See https://www.imf.org/external/pubs/ft/history/2012/, accessed March 21, 2018. Starting in August 1990, the IMF started to send out fact finding missions for talks in the Soviet Union. For in depth documentation, see IMF Archives, Alan Whittome Papers, Box 3.

28. Memorandum of Conversation between George Bush and Mikhail Gorbachev, Plenary Meeting, 9 September 1990, see https://bush41library.tamu.edu/files/memcons-telcons/1990-09-09--Gorbachev.pdf, accessed April 6, 1990.

29. See Jeffrey Engel, *When the World Seemed New. George H. W. Bush and the End of the Cold War* (New York: Houghton Mifflin Harcourt, 2017), pp. 424–425.

30. For the context, see George H.W. Bush and Brent Scowcroft, *A World Transformed* (New York: Alfred A. Knopf, 1998), pp. 496–497.

31. Memorandum of Conversation between John Major and James Baker, 13 January 1991, in: The National Archives (TNA), Kew, Prime Minister's Office Files (PREM 19), Vol. 3981.

32. See Bierling, op. cit., pp. 116–117.

33. Memorandum of Conversation between George Bush and Aleksandr Bessmertnykh, 28 January 1991, see https://bush41library.tamu.edu/files/memcons-telcons/1991-01-28--Bessmertnykh.pdf, accessed April 6, 2019.

34. In effect, Pavlov's reform was undermined by the Union Republics who failed to follow Pavlov's orders, along with the widespread existence of local monopolies, which tended to have their own definition of luxury goods and as a result imposed higher prices on such items. See Philip Hanson, *The Rise and Fall of the Soviet Economy. An Economic History of the USSR from 1945* (London: Longman & Pearson, 2003).

35. See Memorandum from Adrienne Cheasty to Massimo Russo, "The Yavlinsky Program for Soviet Reform: A Summary," 5 June 1991, in: IMF Archives, EURAI Country Files, Box 187, File 3.

36. The "Grand Bargain" envisaged a commitment of tens of billions of dollars of aid from Western countries in return for thorough and rapid moves toward a free market by Moscow. The idea was developed by Graham Allison, of Harvard, and Grigory Yavlinsky, a reform-minded Russian policy advisor. See Graham Allison and Grigory Yavlinsky, *Window of Opportunity. The Grand Bargain for Democracy in the Soviet Union* (New York: Pantheon Books, 1991).

37. Memorandum of Conversation between Bush and Gorbachev, 11 May 1991, https://bush41library.tamu.edu/files/memcons-telcons/1991-05-11--Gorbachev.pdf, accessed April 5, 2019.

38. Memorandum of Telephone Conversation between George Bush and Helmut Kohl, 24 June 1991, https://bush41library.tamu.edu/files/memcons-telcons/1991-06-24--Kohl.pdf, accessed April 5, 2019.

39. Letter from George Bush to Mikhail Gorbachev, circa early July 1991, in Savranskaya and Blanton, op. cit., pp. 845–846.

40. Memorandum from Nigel Wicks to John Major "Economic Summit: Handling of President Gorbachev", 15 July 1991, in: TNA, PREM 19/3282/1.

41. See Memorandum from K.A. Bishop to Stephen Wall "Gorbachev Visit 16–19 July: Some Interpreter's-Eye Impressions", 22 July 1991, in: TNA, PREM 19/3283.

42. Memorandum of Conversation, G 7 Meeting with Gorbachev, 17 July 1991, https://bush41library.tamu.edu/files/memcons-telcons/1991-07-17--Gorbachev.pdf, accessed April 6, 2019.

43. Ibid.

44. See Wencke Meteling's contribution in this volume.

45. For the context, see William Taubman, *Gorbachev: His Life and Times* (New York: Norton, 2018).

46. Memorandum from Brent Scowcroft to George Bush "Development in the USSR", 5 September 1991, Savranskaya and Blanton, op. cit., pp. 928–929.

47. Memorandum of Conversation between George Bush and Boris Yeltsin, 1 February 1992, in: GHWBPL, NSC, Nicholas Burns and Ed Hewett Files, Subject Files, Folder CF01421-009.

48. See, for instance, Memorandum from Ed Hewett to Brent Scowcroft "Discussion at the B-C-S Breakfast [Baker-Cheney-Scowcroft] on Planning for Soviet Contingencies, 25 November 1991", in: GHWBPL, NSC, Nicholas Burns and Ed Hewett Files, CIS Chron File / Subject File, CF01599-007.