

~~SECRET~~

~~SECRET~~

SYSTEM II
90512

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: President's Second One-on-One Meeting with
General Secretary Gorbachev (U)

PARTICIPANTS: US
The President
Thomas W. Simons, Jr., Deputy Assistant
Secretary of State for European Affairs
(Notetaker)
Rudolf V. Perina, Director for European and
Soviet Affairs, NSC Staff (Notetaker)
Dimitri Zarechnak (Interpreter)

USSR
General Secretary Mikhail Gorbachev
Georgiy Mamedov, Section Chief, MFA
(Notetaker)
Pavel Palazhchenko (Interpreter)

DATE, TIME May 31, 1988, 10:08 - 11:07 a.m.,
AND PLACE: General Secretary Gorbachev's Office,
The Kremlin (U)

As the press was leaving the office, General Secretary Gorbachev invited Senator Baker to stay for the conversation. The Senator thanked Gorbachev but replied that he was not scheduled to be there and would wait outside. (U)

The President said he knew Gorbachev was aware of the American habit of giving gifts from friends, and also knew something of American wardrobe. He had a gift from a friend in the American West that he wanted Gorbachev to have, a denim jacket. Gorbachev said it was a memorable gift. He asked if it was his size. The President regretted he had had no way of knowing that. Gorbachev said it would be in any case a marvelous souvenir. This was one he would keep at home. (U)

The President said he also had a small insignia pin for Gorbachev. Gorbachev said he had seen the President wear it the day before, and envied him for it; the President must have noticed him looking at it very carefully. (U)

Gorbachev said that since the President was in the Kremlin for the first time on this trip, he had given him a scale model of the Kremlin as a gift. The President asked Gorbachev to forgive him for not having thanked him for his magnificent gifts. He

~~SECRET~~

Declassify on: * OADR

TOP SECRET

F97-004/2#12

~~SECRET~~

201

8/29/00

~~SECRET~~

~~SECRET~~

2

wished to do so on his and Nancy's behalf. He now had a crown of his own. Gorbachev recalled that Nancy had mentioned the scale model the night before. It was precise, but of course much reduced. In actual size, the Kremlin perimeter ran 2.4 kilometers. (S)

Gorbachev said he noticed the President had notes, but before the President spoke (here Gorbachev moved to his desk), he wanted to show the President something pleasant: some of the letters and cables sent to him at the Kremlin. (U)

The first was from Norilsk, the northern-most city in the Soviet Union, above the Arctic Circle. The writer had sent it to the President here. To commemorate this visit, he had called his first daughter Regina. He hoped the visit would be a symbol of peace and friendship. His city, street and apartment address were shown. (U)

Next was one from Yerevan, Gorbachev went on. The writer said he had seen the President give his 1986 greetings to the Soviet people, and when his son was born, he had named him Ronald after the President. In accordance with convention, he asked the President to become godfather to his son. (U)

Someone wrote from Togliatti on the Volga, where they made cars, Gorbachev continued, and had named his newborn daughter Nancy in honor of the President's wife. (U)

From Grodno in Byelorussia, there was again a son, again named Ronald, and again a request that the President be the godfather. (U)

Another was from Yerevan, addressed to both of them. It spoke of the mothers of the world with tears in their eyes, hopeful and confident that reason and humanism would prevail, that there would be an agreement. The writer wished the President all the best. She was a widow of a colonel who was a war veteran. (U)

Another came from Ivanovo, in the Ukraine. It was a textile town, where many women were employed, and the message was to both of them, from a woman, a mother and grandmother, on behalf of all women in the textile district. Gorbachev noted that half of Soviet textiles were produced there. She asked them to decide to eliminate all nuclear weapons. There had been many similar letters. (U)

Here was a veteran from Gomel, in Byelorussia, Gorbachev continued. He had probably heard the President's TV interview where he praised Russian women. He wrote that America had not had a war for 150 years, while Russia had had so many. There were many others. (U)

~~SECRET~~

~~SECRET~~

Gorbachev said he would give the President all these messages. They were still coming in, but when they were all there, he would transmit them to the President through the Embassy. This was just a small portion of them. He had told Nancy about them, and she had asked that they be given to the President. (S)

The President said he would receive them with pleasure and respond to them; he would send photos to the children named after him or Nancy. (S)

Gorbachev said that would be greatly appreciated. These messages had not been organized. They were still coming in. They much resembled the kind of letters he got from America. Some mentioned difficulties; some questioned whether it was right to expand interaction with America. When he replied to them, he explained the interests at stake, for the two countries and the world. That was why he and the Soviet leadership said that the Soviet Union and the US had a special role. (S)

The President said we had such people too. But he had one simple rule: you don't get in trouble by talking to each other, and not just about each other. Gorbachev said "right." (S)

The President said he had read Gorbachev's book Perestroika. He had come with some questions about where Gorbachev was going, what steps he wanted to take to make life better for the people, what actions could be taken. (S)

Gorbachev said he assumed the President had not had time to read the theses for the party conference that was going to take place in about a month. He guessed he had not had time to ask his experts about them. They provided answers to many of the questions that were being asked here, by the Soviet Union's Western partners, and also by other socialist countries. He would like to say a few brief words about Perestroika. (S)

The pivotal thing about Perestroika was democratization, Gorbachev continued. This referred to economic arrangements, but also to all other spheres. They wanted to expand autonomy (samostoiatel'nost') in production enterprises, among workers, in the republics and the regions. Economic accountability had to be introduced. Cooperative enterprises were being expanded, and the people welcomed this. There was also the democratization of life. Individual enterprises of people were also being expanded. (S)

The President interjected "yes," but Gorbachev continued that there would be more freedom for cooperatives and individual producers in the market. (S)

In the political sphere, Gorbachev said, the main thrust was also more democratization. This was also true for the Party. It had to give up some of the functions it should not properly have. It should concentrate on developing political guidelines for domestic and foreign policy. When it came to management of the economy, this would be done more and more by elected bodies, by the soviets. They were also doing substantial work on legal reform, reform of the courts and legal institutions, including criminal law. They were also finishing up a document reforming the electoral system. They would be giving greater scope to social organizations and initiatives. (S)

In all this, Gorbachev went on, there was one fundamental thing that he did not conceal from the President: it was the firm position that all these efforts were directed to developing socialism. When socialism was capable of movement, the people supported it and would do so even more in the future. It had been interesting that when they had published the draft law on cooperatives, and the draft law on the socialist enterprises, people wrote to the Central Committee and to the press asking if these laws did not represent a retreat from socialism, if they would not result in a gap between rich and poor in Soviet society. So there was discussion. Gorbachev said that was normal. He thought the Soviet Union was now the number one country in the world when it came to debate. There was more here than in America. (S)

The President said the Soviet Union was an enormous country; there was a mass of people out there, and they were not all at the same level. There were geniuses out there who could really contribute if given a chance to use their initiative. To take an example, he visited various companies, and he had visited one motorcycle plant called Harley-Davidson. They were an established firm, and sometime ago, they suddenly began losing business to Japanese motorcycles that were being imported. Gorbachev knew that the first reaction in such a case was to call on the government for help, to restrain the number of imported Japanese motorcycles. Gorbachev nodded and said that was protectionism. (S)

But, the President continued, instead of that, management had called in the people from the assembly lines. From the top managers to the assembly line workers, they had opened up discussion on what to do. They got ideas from people who had been working there for years, suggesting improvements on how to do things better. And a reorganization had followed. They had reorganized the assembly lines. They had reorganized spare parts; previously, they had been stored together at a distance; now they were brought by conveyor to where the worker could reach over and get them. And the company was now making ten new models. (S)

Gorbachev asked if they were competitive. The President replied that they were very competitive. Their business has flourished. (S)

Gorbachev said the Soviets were now also looking at far-reaching forms of reorganization. They were now leasing land and means of production for five to ten years; productivity in these cases had increased by a factor of 1.5 to 2, immediately. They were introducing ways to give people incentives, and the quality was already better. (S)

They had dealt a blow to large monopoly enterprises, Gorbachev went on. The US had capitalist monopolies, and the Soviet Union had socialist monopolies which often did not produce efficiently. For instance, there had been only one factory making combine harvesters. It had dictated to the market. Now there were three. The factory at Krasnoyarsk, like Harley-Davidson, had been on the verge of collapse. The collectives did not want to buy its products, and it had wanted the authorities to force them to. They had said "no," it was up to the factory to change and produce better combines. Now they were producing a good combine. It was sold around the country; it was valued even in Siberia. (S)

In their socialist society, Gorbachev went on, they did not want to level things out like a table. (He pounded on the coffee table in front of them with the flat of his hand.) The principle of the economy had to be that as you produce, so you earn. The better worker, the better scientist would be paid more. (S)

The President said that even before the Soviet Union entered the world market, its best customers were its own people, who produced the goods and also bought them with their earnings. Gorbachev said that was exactly the case. The Soviet Union was a huge market. He had the impression that America was making up its mind whether to work with that market, whether to expand cooperation. Most countries had already made that decision in the affirmative. But in America there were old stereotypes at work. He knew that some people were asking: "Why help the Soviet Union expand? Wouldn't it be better for it to be weak?" (S)

The President said he did not feel that way at all. Gorbachev said he was not saying the President did, but there were people in the United States who were telling him differently. There had been hearings in Congress that went on for many months. He had received and read the transcripts. Of course, it was up to the businessmen and the Administration. The Soviets did not want to impose themselves. They were not begging for friendship. (S)

The President said some people in Congress had passed and sent him a protectionist trade bill. He had vetoed it, and the veto had been sustained. It would have protected the US against imported products that other people made better. He had vetoed it, and Gorbachev knew what a veto meant. (S)

Gorbachev said that the President might not know it, but the US had very high protectionist barriers to trade with the Soviet Union. For instance, tariffs on Soviet goods began at 20 percent and went up to 220 percent. The dead were still controlling the living. Jackson was long dead, but his amendment lived. Instead of most-favored-nation tariff treatment, the Soviet Union received most-unfavored-nation tariff treatment. (S)

The President said that had to do with the problem they had often talked about: with human rights. People believed that the Soviets discriminated against practitioners of religion and the like, and that was their way of trying to work that out. The two of them had had discussions on that. Gorbachev surely knew where we stood. (S)

Gorbachev asked what would happen if the Soviets began to inject such questions into bilateral relations, for instance, in the security field. He asked whether the Soviet Union should make claims on the US, such as on the rights of Hispanics, of whom there were six million without citizenship, or on the condition of American Indians on reservations. He asked whether the Soviets should say that because there were problems in the US, there should be no treaty, whether the Soviets should pass amendments of the kind that Congress had passed concerning the Baltic Republics, or the Ukraine. The Soviets could comment concerning individual U.S. states, for instance. Where would that take the Soviet-American relationship? But that was the wrong way to go. It was a heritage of the Cold War, and it should be eliminated. It really called for shock therapy, Gorbachev concluded. (S)

The President replied that there was a difference between prohibiting people from the practice of religion, like Jewish people who had no synagogues, and social problems like those Gorbachev had raised. In the US, there were sociological factors at work. Indians, for instance, retained their own customs. The US had provided millions of acres of land to them so that they could retain their customs and traditions. Of course, they were free to go outside those reservations; no one said no; and many did, and became like other Americans. But the choice was theirs. (S)

Turning to the Hispanics, the President said that the problem there was illegal entry. Good Lord, he said, Miami has been taken over by refugees from Castro's Cuba. They became citizens like everyone else. But we also had a long border with Mexico, where they sneaked in to try to get jobs. Those were the illegal immigrants. There was a limit to how many such people an economy could absorb. (S)

At the reference to Miami, Gorbachev interjected that he could not believe the six million without citizenship all came from Cuba. He said, when the Soviet side had comments, the President was unwilling to accept criticism. Zarechnak finished interpretation of the preceding paragraph. (S)

Gorbachev explained that he had not wanted to go into these issues; he had merely mentioned the problem of Soviet-American economic relations. The President had comments about Soviet life, the Soviets had comments about American life; that did not mean they should stop economic relations. (S)

The President responded that he wanted to explain how things were. The Cubans had been refugees from political persecution. We had accepted them, and given them citizenship. It was like the boat people from Vietnam. For example, he had a letter from a young man. In it he told the President that ten years before he had been in a boat off Vietnam. The country had been conquered, and the boat was out of food and water. Then a ship had found them, and he had been brought to an island refugee camp. The President said he did not know how long the young man had been on the island, but the total difference had been ten years, and subtracting time on the island, he had been in the US probably less than ten years. He had learned our language; he had graduated from high school with honors; he had received a scholarship from Harvard University; and he wrote the President, at 23, as a student at a medical college. That was what was meant by refugee status. (S)

But concerning illegal entry, the President continued, they had recently passed a new immigration law aimed at coping with illegal entry of people from countries like Mexico. There were quotas for legal immigration. But because there were so many illegals, with homes and jobs but insecure status, the law said that those who had come before 1982 had only to report and they would be given citizenship. (S)

The President continued that there were other examples of opportunities in the United States which fit what Gorbachev wanted to do with Perestroika. He had met a young lady who had been educated as a professional pianist. Then, after she graduated, she had developed arthritis. It affected her hands, so that she could not play the piano. She was at home with a diploma but nothing to do. One day, an aunt had reminded her that she could bake brownies, little American cakes, that were the best her family had ever tasted. The aunt suggested that she sell them to grocery stores, to pick up a little money and keep busy. That was three or four years ago. Gorbachev interjected to predict that she now had a prosperous business. The President replied that she employed 35 people, and earned more than \$1 million a year. She sold to the airlines; she sold to top restaurants. (S)

Gorbachev said he had to say once again that, since they had decided to move forward toward the future and expand bilateral relations, it was important to clear the log-jams from the past. There were a lot of them to clear. He thought the two countries needed greater mutual dependence, to ensure greater predictability in relations. They were now totally independent of each other economically. It seemed that they did not need

each other. But that was not true. Life itself showed that they needed each other. They needed to cooperate more and more. As the President said, that was God's will. (S)

The President recalled that 500 American businessmen had been in the Soviet Union. Gorbachev said it was true they had visited. But they had to operate in a kind of cage of protectionist measures and political restrictions that impeded trade. These were not adopted by the President but by others. Gorbachev said he saw this changing. He welcomed the fact that the President had supported the consortium idea. There had been three American businessmen who had followed along the path Premier Ryzhkov had taken in Siberia. When they returned, they told Ryzhkov they had thought Siberia was a godforsaken place inhabited mainly by bears. But they saw that it was a highly developed place, and were convinced there was good business to be had there with new and modern cities. (S)

Godspeed to them, Gorbachev said. But he thought the President should listen -- he was not giving the President a lesson, just thinking aloud -- he thought that, if the President listened to one person on one day and another the next day, his policies would be too changeable. But if he felt the mood of the people, he would feel the changes underway. People in both the US and the Soviet Union wanted to expand cooperation, and policies at the President's and Gorbachev's level should reflect that. (S)

Gorbachev said that Perestroika was meeting with some resistance in certain quarters of the country. But he and the other leaders with him were not going to wipe out that resistance because they felt that the mood of the people was for Perestroika. The crucible of Perestroika would overcome the resistance. (S)

The President said that the US had what Perestroika would give Gorbachev, and we were for it; he had said so in his speeches. But there was a great obstacle which would affect economic relations and even negotiations on disarmament. There were certain things that revealed high technology that we had and the Soviets didn't. They would help in a military way. They could not be sold to the Soviet Union. Probably the Soviets had such things that they would not make available to us. (S)

What was the answer to this problem?, the President continued. In their meetings, he and Gorbachev had to continue the job they had started: to eliminate the distrust that had led to the arms race. If they could eliminate mistrust, the feeling that they threatened each other militarily, then those restrictions too could go. (S)

Gorbachev said he welcomed that statement. The President added that there would be opposition. Let us move ahead, Gorbachev said, to build more trust. Of course, it was important for the two of them to do as much as they could while Ronald Reagan was

still President of the United States, and to ensure continuity and consistency after his term ended, so that the foundation they had laid for moving forward would remain. (S)

The President said he would do all he could to make sure that his successor moved along that line. He hoped and prayed it would be George Bush; he knew he (Bush) shared all these ideas. Gorbachev suggested they begin their walk. The President continued jokingly that, if it were a Democrat, he would warn Gorbachev against him. Gorbachev said jovially that during the previous evening's dinner he had told Secretary Carlucci that the Soviets regretted the approach of the end of this Administration just as progress in relations was being made. But when he had found out that George Shultz was an ex-Marine and Carlucci had been in the Navy, and that both opposed inspection of naval forces, he figured it was all right for the Administration to go. But, he concluded, that was just a friendly joke. (S)