MEDITERRANEAN MEETING WITH GORBACHEV

I. SETTING

The Mediterranean encounter will be an important opportunity to gain a clearer understanding of where Gorbachev intends to take the USSR, how his foreign policy priorities relate to his domestic objectives, and the nature of his vision for Europe in the 1990s. It will also be an occasion to lay down markers on the obstacles we see to improved U.S.-Soviet relations and to set priorities for the 1990 Summit. Further, Malta could promote a public sense, here and abroad, of a new pace and purpose to the U.S.-Soviet dialogue with you leading as much as Gorbachev.

Gorbachev's Agenda

You requested, and the Soviets accepted, an open-ended and unstructured agenda for Malta. But it's quite possible Gorbachev will bring some attention-grabbing initiatives. We'll want to respond in ways that keep the focus on our agenda.

Gorbachev comes to Malta facing massive economic and social problems on the home front. But, paradoxically, his political position within the Soviet leadership appears stronger than ever. His preoccupation with the fate of perestroika will drive his approach to Soviet security, foreign policy and economic interests.

Gorbachev also faces an increasingly uncertain situation in Eastern Europe, where he will seek reassurances about our intentions and signal opposition to German reunification. He may try...
to "leap-frog" the situation by proposing new ideas that speed the pace of military withdrawal, or novel political solutions to the architecture of Europe (e.g. a peace treaty on Germany or a Helsinki II) that could unsettle our allies. And his proposal to disband NATO and the Warsaw Pact may well come up again.

Gorbachev will want to accelerate progress on his two priority areas for the 1990 summit: arms control and economic relations. He may have a surprise arms control proposal, perhaps on naval forces (given the venue), but he is very unlikely to try to turn Malta into a full-scale bargaining session like Reykjavik. In the economic area, Gorbachev will seek progress on trade restrictions, commercial relations, and Soviet admission to the GATT and the international financial institutions.

II. U.S. OBJECTIVES

Our objectives can be divided into several broad categories:

(A) Perestroika and Economics: to discuss perestroika in the USSR and how Gorbachev sees its prospects and challenges. In this regard, you will have to respond to a likely Gorbachev push on bilateral economic relations, making clear that we are ready to move on a trade agreement and, once conditions merit a Jackson-Vanik waiver, also on lending restrictions like the Stevenson Amendment. You should tell Gorbachev of our readiness to recommend Soviet observer status in the GATT after the Uruguay Round ends in 1990, if the Supreme Soviet moves by then toward introducing market pricing for wholesale goods. We also want to explore avenues for technical cooperation.

(B) Change in Europe: to probe Gorbachev's thinking on the transformations underway in Eastern Europe, stressing our interest in stability through peaceful, democratic change.

(C) "New Thinking" and Regional Conflicts: to underscore our concern about the contradiction between professed Soviet support for peaceful settlements and actual Soviet conduct.

(D) Summit Stage-setting: to set priorities that frame the agenda for the 1990 summit, including on arms control.

III. OUR STRATEGY

Perestroyka in the USSR

You will want to gauge Gorbachev's views on the prospects and challenges of perestroyka, both in the economic and political fields. Economics will have a higher profile at Malta than at any meeting in a decade. At a minimum, Gorbachev will play on sympathy for the enormity of his task to seek bilateral trade and commercial concessions, and movement on GATT and COCOM. He could adopt a more sweeping strategy aimed at immediate and full Soviet membership in the world economy.
At the extreme, he might call for Soviet participation in the next Economic Summit (which you will host).

Whatever the Soviet strategy, you could propose starting negotiations on a commercial agreement, once a new emigration law is passed. This would make it possible to accommodate Gorbachev's interest in signing a trade agreement and receiving MFN status at the 1990 summit, while safeguarding our human rights concerns (the period of negotiations would give us time to judge the effect of the new Soviet emigration law). In addition -- or in response to a broader Soviet initiative -- you can point to the various steps we proposed at the November Joint Commercial Commission (working groups on trade and investment agreements) as signs of our willingness to cooperate.

Soviet officials bridle at the notion of any government offering them "technical assistance." I suggest you speak instead of "technical cooperation" in presenting the array of programs on management training, the U.S. tax, budget and banking systems, and U.S. stock exchanges, that we could offer. We have invited, at the request of Prime Minister Ryzhkov, the heads of the Soviet Ministry of Finance and the State Bank to Washington next month, so the Soviets should be receptive to proposals in this area.

While democratization is moving forward in the USSR, it has unleashed some dynamic forces that are beyond Gorbachev's ability to control. The meeting's informal nature makes it ideal for discussing Soviet domestic affairs. You should expect Gorbachev to pursue these topics eagerly, in the belief that self-criticism is an effective means of heightening U.S. sympathy for the fate of perestroika.

The Baltic States, and ethnic ferment in the Caucasus, are likely to be the most sensitive topics discussed. You should tell Gorbachev we stand by our non-recognition policy on the Baltics and flag our intention of thickening our relations with the Baltic peoples. But you should emphasize that we are not out to destabilize the USSR and that we do not have a pre-conceived notion of what arrangements the Baltic states might arrive at through a democratic process of self-determination.

Change in Europe

A key objective at Malta is to gain a clearer fix on Gorbachev's approach to Eastern Europe, and how the Soviets are redefining their strategic interests. You will need to make clear from the beginning that we are not interested in negotiating any "deal" or even ground rules for our relations with sovereign states. You will also want to stress our interest in reform through a peaceful, democratic process, and to remind Gorbachev that a violent crackdown (in Eastern Europe as well as the USSR) would inevitably harm our relations. We must be wary of "new ideas" coming from the Soviet side, for Gorbachev may seek our blessing or tacit acquiescence for
policies designed to heighten Moscow's control over the situation in Eastern Europe, or to involve us in commitments that they will not, or that we cannot, sustain.

Gorbachev's strategy of promoting the stable international environment necessary for perestroika is threatened by the accelerating political changes now affecting every country in the region except Romania. Moscow's assumptions about reform in Eastern Europe -- that it would result in gradual, controlled change, and that cohesion of the Warsaw Pact could be maintained long enough to allow the Soviets to restructure relations with the East Europeans -- are increasingly in doubt. As a result, Gorbachev will be seeking new assurances that we will not exploit developments at the expense of Soviet security. You can extend general reassurances, but be wary of appearing to bless in advance a Soviet crackdown.

"New Thinking" and Regional Conflicts

You should underscore our concern about the large gap between Moscow's rhetorical support for peaceful settlements and the actual Soviet conduct we see in specific regions. You should emphasize the importance of Soviet restraint in this area to the overall health of the relationship; if we cannot make more progress on these questions, it could have a dampening effect on other aspects of the relationship. Indeed, you might even indicate that our ability to move beyond "technical cooperation" in our economic relationship will depend on better performance on regional issues, particularly Central America. The Soviets have accepted free choice and self-determination as the only possible basis for stability in Eastern Europe. These principles need to be applied to Third World regional conflicts as well; unless there are legitimate regimes in place, troubled areas of the world will never know stability.

You should stress that Soviet credibility is on the line in ensuring a free and fair election in Nicaragua and tell Gorbachev flatly that the Soviets cannot escape responsibility for Cuba's actions. You might consider cutting through our recent arguments on arms to Nicaragua and the FMLN by suggesting a new bottom line: a substantial reduction in Soviet arms shipments to Havana. In this context you should note our concern over the ill-timed and unjustified delivery of MIG-29s.

Gorbachev is certain to accuse the U.S. of ignoring Soviet concerns on Afghanistan. You can respond by building on the concept of a transition period (which was in the Wyoming joint statement). You might press him to offer a plan for a transition period, which we could present to the mujahedin if it is sufficiently realistic. You could also indicate that once we begin to move toward a settlement, we are prepared to discuss a joint cut-off of arms shipments (negative symmetry).
Summit Stage-setting

Without plowing through every item on the five-part agenda, you will want to lay out U.S. priorities and some realistic objectives for the 1990 Summit, particularly on arms control:

-- On nuclear testing, you and Gorbachev should reaffirm that you expect to sign the TTBT and PNET protocols at the 1990 Summit.

-- To give impetus to your CW initiative, you could inform Gorbachev that the U.S. has ready a draft agreement on bilateral stockpile destruction, and state that you see this as a possible signature item for the 1990 summit. (To do this, we would have to resolve quickly the inter-agency difference over the form of such an agreement.)

-- In START, you can say the U.S. would like to resolve all major START issues by or at the 1990 Summit, and will make every effort to conclude a treaty by that time.

While CFE is multilateral, you will want to sustain pressure to wrap up a treaty in 1990. Gorbachev may press for a schedule of NATO-Warsaw Pact ministerial and summit-level meetings to hasten completion. You might respond that we are prepared to consider signing a CFE agreement at a multilateral summit, but not to set dates now. A more forward-leaning approach would be to agree to consult with the allies on the proposal to set a date for a Summit CFE signing.

The U.S. public will want you to send Gorbachev the message that we remain serious about human rights progress, regardless of the other pressures he is facing. While applauding Soviet advances to date, you should note that more needs to be done. This includes resolution of some still-outstanding divided family and refusenik cases, as well as future progress toward the institutionalization of reform in Soviet law.

You will also want to set priorities in the transnational area (particularly on cooperation on the environment) and in bilateral matters (agreement to our Open Lands proposal and movement on Embassy construction). If the situation warrants, you might play on the theme of expanding access to one another's societies by suggesting you and he address one another's peoples directly via television on a periodic basis, and that our countries consider opening small consulates or cultural centers in additional cities.