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MEMORANDUM OF CONVERSATION

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Dept of State, RPS/IPS, Margaret P. Grafeld, Dir
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Date 1/3/99 Exemption _____

PLACE: Fleur d' Eau, Geneva Switzerland

DATE: November 19, 1985

TIME: Plenary Session 11:27 a.m. - 12:15 p.m.

PARTICIPANTS: American Side
President Reagan
Secretary Shultz
Chief of Staff Regan
Asst to President McFarlane
Amb Hartman
Amb Ridgway
Amb Nitze
Amb Matlock
Notetaker DAS Palmer
Interpreter D Zarechnak

Soviet Side
General Secretary Gorbachev
FM Shevardnadze
Deputy FM Korniyenko
Amb Dobrynin
Amb Yakovlev
Amb Zamyatin
Amb Aleksandrov-Agentov
Notetaker Tarenko
Interpreter Uspensky

The President and the General Secretary emerged from their tete-a-tete and greeted each member of the others delegation. There was then a photo opportunity. The two delegations were then seated.

The President opened the meeting by stating to the General Secretary that we are pleased that we are now underway. He noted that the two of them had had a good discussion. He then turned the floor over to the General Secretary.

Gorbachev thanked the President. He noted that he and the President had agreed that it was important to have a

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constructive exchange of views at this meeting. He had said already during their one on one meeting that the Soviet Union attaches a lot of importance to this meeting, to that fact that it is taking place after almost seven years since the last Summit. A lot of things had changed in the world and in developments in our two countries. Many problems had come up which were of concern to the American people, to the Soviet people and to their leaders. In this context they regarded this meeting as a positive event.

The General Secretary continued that there is the question of how to proceed and at what level. The Soviet Union wishes to proceed to make our bilateral relationship one based more on trust. We need to think together about a mechanism for implementing this idea. This should include a political dialogue at various levels. It is not good when for extended periods our relationship is reduced to having our entire dialogue take place via the press.

The General Secretary said that he understood that this was the President's idea about dialogue. The President had said that he was for talking to each other rather than about each other. The task before us is strengthening confidence. We should be looking for opportunities in various areas, for example trade and economic relations can be helpful. Experience has shown that the Soviet Union and the United States can live without each economically. But they can't hope that a strong peace and understanding will emerge without active links and relationships. Economic and commercial ties are important not only in themselves but also as a political link.

The General Secretary continued that some underestimate this fact. Sometimes these relations are used in a way which is detrimental to the process we want. This had been seen in the past. As regards the embargo it had been in existence; the President had cancelled it but that had not been followed by other steps. There is interest among your businessmen and in our economic circles. This can be part of the mechanism of trust.

The General Secretary said that he welcomed the President's idea for a broad based exchange of people in science, culture and other areas. He was pleased that American people are interested in a greater understanding of the Soviet people and noted that American travel to the Soviet Union was going up and had reached some 50,000 annually. He also welcomed a more lively and dynamic set of contacts between foreign ministries

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and embassies. High level Summits should fit in with this and be the center piece of our mechanism for building trust.

The General Secretary said that he dwelled on this subject of dialogue in somewhat greater detail at the outset as he understood that the President finds this of interest and concern.

He then returned to his initial point that after many years the two leaders are meeting. Relations are at their lowest level. He did not know whether the Administration finds this good. The President's recent statements seemed to indicate that he wants improved relations. That is definitely the Soviet desire. Regardless of the differences and without simplifying difficulties, the two sides have to get down to making their relations normal. He had said in their one-on-one meeting that the Soviet leadership as a whole is for this improvement, that he did not see any opposition to this view. They had come to the conclusion that there was a need for an improvement and that this would be desirable. If there is a will and a desire on the American side, and the Soviet Union seizes this desire, the Soviet Union is ready to accommodate it with no preconditions on their part. The General Secretary noted that he mentioned this fact as the United States when it talks about an improvement sets preconditions. This has been and continues to be unacceptable.

He mentioned that in Moscow he had said to Secretary Shultz and National Security Adviser McFarlane that he wanted our relations and the process of making policies to be rid of illusions and mistakes. The Soviets know of some studies in United States think tanks in which the United States ruling class indicates its view that the Soviet economy is in a perilous state. Therefore it would be good to push to Soviet Union into a arms race so as to make more room for U.S. foreign policy. Or, these studies assert, the Soviet Union is lagging behind in areas of high technology so the delusion is that the United States should rush ahead to achieve military superiority. He would note here what he had said to Shultz and McFarlane. The Soviet Union is often accused of causing problems for the United States in Europe and in the Third World. The two sides may have differences on concrete situations and on specific bilateral and international matters. But it preceeds from a recognition of the role and weight of the United States in international affairs. The Soviets duly appreciate American achievements in technology, service and other spheres--the fruits of the labor of the American people. The Soviets greatly respect the Americans. This is most important. Yes,

there are differences: political, ideological, and in terms of values. But we have managed to stay alive for many years. There has been no war. He praised to God that this never happens. Gorbachev said that this broad based fundamental approach will make possible an improvement in the relations.

He continued that it would be bad if instead of policy we have only conjectural reactions and pinpricks. This can happen on occasion, but it is a different matter if this becomes the center of policy. This makes both the United States and the Soviet Union insecure. There needs to be a long term prospect for the future of our relations. He wanted to call attention to the need for new policies vis-a-vis each other and international processes. The two sides should not be captive to outdated approaches. Life is changing.

He continued that whatever the two sides try to do in setting policies, the peoples of the world attach priority to the issue of war and peace. If they were unable to tackle this issue, it is difficult to see how they could deal with others. This would devalue the whole process. They must deal with the critical, pivotal issue of peace and war. Their meeting must conclude by giving an impulse to this policy. Of course they could go back to the negotiations in Geneva. But if they go back without giving any greater hope or impulse to the process, they will take a scolding in their countries and in the world. Isn't this precisely the matter to put at the basis of their policies?

Gorbachev continued that there are people linked to military affairs in both countries. He realized that there are people who earn their salaries from these matters. But studies in both countries had shown, what for example, Japan and the FRG have been able to do with little expenditure on the military. They have experienced an economic upsurge. Soviet and American scholars have shown that one job in the military sector is three times as costly as in the civilian sector. More jobs can be created if money is channeled into civilian areas. The situation is so acute that if they returned without saying anything about arms control, about the first priority issue, people will maintain that this meeting gave birth to a mouse.

The United States has economic problems and the Soviet Union has them. He knew the Soviet problems better. But both sides could do better if they could release resources to the civilian economy. He knew what think tanks like the Heritage Foundation which advised the Administration particularly when the President was running for office the first and second time,

were saying. Before this meeting, they had been saying that the United States should use the arms race to frustrate Gorbachev's plans, to weaken the Soviet Union. But history teaches that this was not possible earlier even when the Soviet Union was not so strong. Now that it is even stronger, this is a delusion.

Gorbachev continued that of course there are many problems, there are urgent tasks in the developing world. It makes the United States and the Soviet Union selfish to devote so much money to the military when the destiny of millions and billions of people are at stake. It should not be a surprise that there are protest against this in Latin America, Africa and elsewhere. The military is devouring huge resources. Whatever approach they take, it must be realistic.

Gorbachev continued that he thinks there is a basis for movement, to meet each others concerns. The President had recently said that there should be no nuclear war. He agreed. President had said that they should proceed on a equal basis. He agreed. The President had said he was for exchange among our peoples. The Soviet side agreed with that as well, so long as it was within a framework of respect for sovereignty and the values each society had developed. There must be respect for the path each side had chosen.

He continued the Soviets often heard the United States argue that there should be no agreement signed, no document signed that is not consistent with United States national interest. There is no dispute about this but how should one think about national interest? Should this be that in order to improve the life of one's own people, there would be plunder of the resources of others. No, for himself he could say that this was not the way. He recalled a conversation with Mrs. Thatcher in which she quoted Lord Palmerston that nations have no permanent enemies only permanent interests. But in implementing this approach in the international context, the interest of others must be taken into account. The United States Administration states that its vital interests go far beyond the United States and often near the Soviet Union. Many zones are declared vital interests of the United States. The Soviet Union fails to understand how the United States can not take account of other countries' interest.

The General Secretary stated that he was hopeful that when they came to the afternoon discussion both sides could express their views about war and peace and disarmament. He would like in conclusion of his overview of the world's situation to

state that the Soviet Union believes that the central question is how to halt the arms race and to disarm. For their part the Soviet Union would not put forward proposals which would be detrimental to the United States. They are for equal security. If anything detrimental to the United States was proposed, this would not be acceptable to the Soviet Union because it would not make for stability. The Soviet Union has no ulterior motives. What the President had said about equal security, no superiority and movement toward halting the arms race were the conditions for building a cooperative relationship. The United States is losing a big market in the Soviet Union; the Soviets have good economic cooperation with other countries.

Gorbachev continued that we can live in this world only together, so both must think how to put their relations on a new track. If the United States thinks that by saying these things, Gorbachev is showing weakness, that the Soviet Union is more interested than the United States, then this will all come to nothing. The Soviet Union will not permit an unequal approach but if there is on the U.S. side a positive will, the United States will find the Soviets an active participant in the process.

President Reagan then began his presentation. He said that as he had noted earlier, if the two sides are to get down to reducing the mountains of weapons, that both must get at the cause of the distrust which has led to them. Why does the distrust and suspicion exist? They had fought together in two wars. Americans were buried near Murmansk who had been bringing in supplies to help the Soviet Union in the second world war. When that war ended, the Americans were the only ones whose industry had not been bombed and who had not sustained great losses. The Americans were the only ones who had a weapon of great devastation, the nuclear weapon. They were the only ones able to use it if they had wanted to. They reduced from 12 1/2 to 1 1/2 million men in their armed forces, allowing their Navy to go down from 1,000 ships to less than half that number. And the United States began making proposals to the Soviet Union and the world about sharing nuclear technology and doing away with the weapon. Eighteen times until this meeting the United States had proposed meetings and for twelve of those times the United States had nuclear superiority. The United States was willing to give it up. Most of the times the United States did not get cooperation from Gorbachev's predecessors.

The President stated that this is the first time that the

United States is seeking with the Soviet Union to actually reduce the mountains of these weapons. The other meetings, eighteen so far, merely addressed regulating the increase in these weapons. In 1980 the President had said he could not support this approach. He would stay as long as needed with the policy of insisting on reductions. The President recalled that the Soviet government had talked about a one world communist state and had been inspiring revolutions around the world. The United States saw the Soviet military build up, including in nuclear weapons. This came after dozens of United States proposals. The United States has fewer nuclear weapons than in 1969. The Soviet Union has had the largest military in history. Yes, he had made a promise to refurbish the American military and this has been done, but the United States is still behind. The Soviet Union has 5.4 million men in their armed forces: The U.S. has 2.4 million men. The United States also sees an expansionist Soviet Union. It has a satellite in Cuba just 90 miles off our shores. We had problems there with nuclear missiles but this was settled. Now we see Afghanistan, Ethiopia, Angola and Yemen--with for example 35,000 Cubans in Angola.

The President stated that he was setting all of this as the basis for American concern and distrust. With regard to American industry and our military policy, or any effort to incite our people to more military sales, the budget of the United States government for elderly and handicapped and other social needs is bigger than the military budget. Two thirds of our military spending pays for man power; only a small percentage is spent on weapons. This is a very small percentage of our GNP; of course we would be better off without it. The basic interest of our industry is consumer products, for example the automobile and airplane industry. The United States has no interest in carrying on an arms race.

The President said that now the two sides have come to this meeting he had said frankly why the American people are concerned. Maybe the Soviets did not want war but it seemed to want to get its way. The United States has seen violations of arms control agreements already signed. The United States is ready to try to meet the Soviet Union's concerns if the Soviet Union is ready to meet ours. But more than words are needed. The two sides need to get on to deeds. If the two sides just get in bargaining over a particular type of weapon we will just go on trying to keep advantages. But if we can go on the basis of trust, then those mountains of weapons will disappear quickly as we will be confident that they are not needed.

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The President continued that no other nations in the world can do what the Soviet Union and the United States can. They are the only ones which can bring about a world war. The only ones. That is a measure of their responsibility. The two must remove the causes of distrust. History since World War II has shown that if the United States had any hostile designs it was in a position to impose its will with little danger to itself. Indeed the United States had restrained its own programs

The President continued that today he wanted to talk about one specific question. Gorbachev had said that the United States had indicated an interest in achieving a first strike capability by having an anti-missile shield which would destroy missiles before they hit the target. The United States did not know whether this would be possible. The United States had a research program. The Soviet Union had the same kind of program. The United States has some hope that it might be possible. If both sides continue their research and if one or both come up with such a system then they should sit down and make it available to everyone so no one would have a fear of a nuclear strike. A mad man might come along with a nuclear weapon. If we could come up with a shield and share it, then nobody would worry about the mad man. He didn't even want to call this a weapon; it was a defensive system.

The President said that he hoped he had made clear that it is the sincerest desire of the United States to eliminate suspicion. When he thinks of our two great powers, and of how many areas we could cooperate in helping the world, he thinks about how we must do this with deeds. This is the best way for both sides to assure the other that they have no hostile intent. (This ended the President's presentation).

Gorbachev asked whether there was any more time. Should the two sides stick to their schedule. The President responded that he thought that they should stick to the schedule as it calls next for lunch. Gorbachev said this was fine, that he would like to respond when they opened the next session at 1430 if the President would give him the floor. The President said that the floor was Gorbachev's. Gorbachev said that he understood they would get into more specific discussion in the afternoon. The President agreed, and the delegations got up from the table.

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