

Withdrawal/Redaction Sheet

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Document No. and Type	Subject/Title of Document	Date	Restriction	Class.
20. Memcon	Re: Working Dinner with Canadian Prime Minister Brian Mulroney (8 pp.)	11/26/89	(b)(1)	C

Collection:

Record Group: Bush Presidential Records
Office: Scowcroft, Brent, Files
Series: Presidential Correspondence
Subseries: Presidential Memcons
WHORM Cat.:
File Location: Presidential Meetings - Memorandum of Conversations 10/3/89 - 12/16/89

Document Partially Declassified
(Copy of Document Follows)
 By QJL (NLGB) on 10/16/10

Date Closed: 1/23/2009	OA/ID Number: 91107-006
FOIA/SYS Case #: 2009-0275-S	Appeal Case #:
Re-review Case #:	Appeal Disposition:
P-2/P-5 Review Case #:	Disposition Date:
AR Case #: 1999-0273-F(116)	MR Case #:
AR Disposition: Released in Part	MR Disposition:
AR Disposition Date: 11/29/2007	MR Disposition Date:

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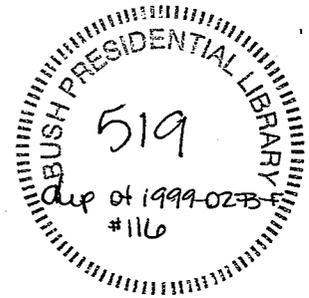
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THE WHITE HOUSE
WASHINGTON



MEMORANDUM OF CONVERSATION

SUBJECT: Working Dinner with Canadian Prime Minister
Brian Mulroney

PARTICIPANTS: The President
Mrs. Bush
James A. Baker, Secretary of State
John H. Sununu, Chief of Staff
Brent Scowcroft, Assistant to the President for
National Security Affairs
Robert Gates, Assistant to the President and
Deputy for National Security Affairs
Ambassador Ney, U.S. Ambassador to Canada

Canada

Brian Mulroney, Prime Minister
Joseph Clark, Secretary of State for
Foreign Affairs
Stanley Hartt, Chief of Staff to
Prime Minister
Derek Burney, Ambassador

DATE, TIME November 29, 1989, 6:00 - 9:00PM
AND PLACE: The Residence

Prime Minister Mulroney said that he had spent five hours with Gorbachev, 10-12 hours with Reykjavik and about the same with Shevardnadze. Mulroney said that Gorbachev was approaching Malta expecting no miracles and having no grand design or tricks up his sleeve. He understands why the President has been quite conservative in his approach and his need to devise his own policies after being Vice President for eight years. Gorbachev regards this as quite legitimate inasmuch as the President will be there for eight years and that it was important for him to take time to get it right. At a private lunch, Mrs. Gorbachev said she looked forward to a close and friendly relationship with

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Barbara Bush. Gorbachev mentioned that he had invited Ronald Reagan to visit the Soviet Union in the spring and made a number of affectionate comments toward Reagan.

When asked about Soviet consumer goods and problems, Mulroney said that staff and media accompanying him had found nothing in the stores. Foreign Minister Clark said he had asked one Soviet whether things were better now under Gorbachev and the response had been "politically, yes, but there is no meat in the stores and nothing even in the windows." Mulroney said there are not even any fur hats in Leningrad. There are no carpets in carpet stores and no shoes. Even Gorbachev said that times were tough and that pressures were building.

Mulroney asked Gorbachev, "What is going to happen to you? Who doesn't agree with you?" Gorbachev responded that he would be around but, "what are we going to do about them." Mulroney said it is clear Gorbachev is not losing any sleep, that he is in control. He is casual, unconcerned. His enemies seem to be institutional -- the party, the economy, the nationalities and so on. At one point, Gorbachev said "Maybe President Bush can give you help with regard to Quebec," a clear reference in Mulroney's mind to inviting the US Congress to butt out of Soviet nationalities issues. He said that the new legislative session in December would take steps to institutionalize religious freedom and private property.

Gorbachev said everything must be done within the federation. Mulroney said that the Prime Minister of Sweden had asked Gorbachev if he would allow neutrality for Poland and Hungary and there withdrawal from the Warsaw Pact. Mulroney said it was clearly "not on." Gorbachev has said there should be no changes in the alliances and that any change in the alliances would be seriously destabilizing.

Mulroney said Gorbachev was quite forthcoming in the discussion of political liberalization. And that Gorbachev found this "terrific, just fine." Mulroney continued that what was absent from Gorbachev was the idea that pluralism should be extended to the Soviet Union. There is no suggestion in his remarks of political parties, although everywhere else he supports pluralism. He said that the problems of the Soviet Union are such that only one party with him in command can see the USSR through this period. When asked where he would be in five years, Gorbachev responded "I'll be here." At this point, Mrs. Gorbachev said that her mother often talks to his mother and that his mother had said, "If the Soviet people are so stupid that they cannot appreciate what my son is doing, then the hell with them." Mulroney read this anecdote as evidence of growing disenchantment.

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Mulroney then described his discussions with Ivashko, the new party head of the Ukraine. Ivashko mentioned that there are 52 million people in the Ukraine, 18 million people in the Soviet Communist Party and 3.4 million Party members in the Ukraine. Ivashko said all of them supported him and Gorbachev. He continued that one had to understand that Gorbachev started high in popularity, and slumped because he couldn't meet expectations. There are no consumer goods. But now Gorbachev is coming up again, primarily for international reasons. Nonetheless, Gorbachev faces trouble in the shortages.

Mulroney asked Ivashko what Gorbachev is expecting from George Bush. Ivashko responded, no aid. He was not further specific. Mulroney then noted that Gorbachev had indicated that Bush was very conservative. Mulroney responded that Gorbachev had to understand that the Republican Party had several wings and that a successful politician cannot fly on one wing. Gorbachev responded that he understood. Mulroney told Gorbachev that Bush was very moderate (in which context Gorbachev denigrated Kohl). Mulroney noted that people in congress were given to strident speeches. Gorbachev responded, "Yeah, Mitchell!" Mulroney continued that Gorbachev was casual, well informed, relaxed and had a good sense of humor.

With respect to the Germans, Gorbachev is concerned that they are trying to do endruns. Gorbachev said that the American Ambassador in Bonn is acting like a German Gauleiter. He said the sense of Gorbachev's views was that the Germans could forget about reunification. According to Clark, Shevardnadze spoke of anxiety in Western Europe about reunification, adding that "all of us in the war are against revanchism and neo-Nazis. Mulroney noted the strength of the Russians' hatred for the Germans.

Mulroney told Gorbachev that to understand Kohl he had to understand that Kohl was appealing to the electorate. Gorbachev said he understood that, if that's all it is. But there would be no reunification. Clark indicated that of all the problems, only this one was worrying them. Gorbachev indicated, "People have died eating unripened fruit" -- a clear suggestion that any kind of reunification was premature. Gorbachev indicated that there might be reunification but, in effect, "not in my lifetime." If the Germans want progress towards this, they shouldn't put it on the table. It should not be brought forward prematurely.

With respect to the Balts, Clark mentioned the large Baltic population in Canada and the consequences of a crackdown, that is, a strong reaction. Shevardnadze said there is no crackdown planned by the Foreign Ministry or by the Army or by anybody else.

Mulroney then offered several anecdotal observations from his dinner with Ryzhkov on November 21st:

- He underscored he was completely against German reunification.
- He said that "aid to Cuba, Mongolia and Vietnam was substantial and must be allowed to rundown."
- Aid to Eastern Europe is insubstantial. In fact, the Soviet Union owes a number of these countries. Only Poland owes the USSR -- about one billion dollars.
- Mulroney mentioned there would be no reform of agriculture without farmers owning their property.
- Ryzhkov said that the Canadians should take a section of land in the USSR and run the agriculture there as a pilot project -- wheat, beef, pork and so on.
- Swedish Prime Minister said that the Soviet bottom line was neutrality for Poland and Hungary. But Ryzhkov said there would be no border changes allowed because they would perturb developments in Eastern Europe.
- Mulroney pointed out to Ryzhkov the 175 year peace in the US. The US has no imperialist interests and is inclined toward peace unless betrayed or attacked. With George Bush, the Soviets will always know where they stand and that, unless you provoke him, he will stand with peace. Shevardnadze asked Mulroney to comment on his own instinct that James Baker was a man of his word. Mulroney responded, "you can put it in the bank," noting that Baker had put aside a week to complete the Free Trade Agreement because he had recognized its importance and given his word to make it happen. Shevardnadze was impressed.

According to Mulroney, Ryzhkov was deferred to by all when Gorbachev was absent. He found him thoughtful, reasonable and the least ideological of all.

Ryzhkov noted that on 1 January 1988 there was large scale implementation of the concept of a market economy. Still the Soviet Union was not ready to do this. He said Gorbachev had inherited an archaic system and wanted to move toward a new one. He said the problems of society could be solved only with new approaches. However, at no point did he acknowledge that the whole Soviet system is wrong.

Gorbachev indicated to Mulroney that he wanted to trust in George Bush and establish trust at Malta. Gorbachev said any period of change will bring difficulties and instability. Some will seek to profit and that would be a dangerous mistake. The former mistake in Eastern Europe was to insist on a single model. Each country must decide what's best for it. Eastern Europe will be allowed to follow reform at its own pace. With respect to Germany, we should let history determine the issue. "People have been poisoned by eating unripened fruit." This road must be traveled without skipping steps.

According to Gorbachev, under new thinking, confrontation is on the way out and there must be focus on common interest. We need mutual trust, a long period of trust. Moreover, it is not only the East that needs new thinking.

With respect to international economic cooperation, according to Gorbachev, the USSR needs to open up its economy and bring it into line with the world economy. Decisions about the future of the USSR though will be made in Moscow alone. We will not have grants or handouts.

According to Gorbachev, perestroika represents a fundamental change in the mentality of dependence on the state. The revolution embarked upon, is above all, a revolution of the mind. We need new people. You can't make them in the classroom.

According to Gorbachev, the world debates how long he has. What is important is that the country will not go back. Gorbachev has done his part but intends to go on. He will put in place new property relations -- public, cooperative and private, as well as credit, banking and so on. We need to limit the power of the monopolies.

Gorbachev said, with respect to the nationalities, that if we destroy what we have it will be a disaster for the smaller peoples such as the Baltic peoples. He continued that there is no reasonable alternative to perestroika, although there are differences on tactics.

Gorbachev admitted that when he announced his decisions originally he had thought things would happen. In the domestic economy, the situation is very different. People see shortages and bare shelves.

Under these circumstances the West should act prudently. Kohl sometimes is not prudent enough. It is dangerous to appeal for the votes of revanchists. He understood that Bush and Baker had had a difficult process in adjusting their thinking. The West should be less arrogant; act less like they have a hotline

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to God or as if they have God by the beard. The West has to change, too. In essence, according to Mulroney, Gorbachev is saying, "you must help me without looking like you're helping me."

Mulroney then related several observations from the lunch that he and his wife had with Gorbachev and Raisa:

- Gorbachev's ambitions for Malta are to get to know and understand George Bush, to convey his objectives and his rationales.
- He expects no miracles or solutions in Malta.
- It is entirely normal for George Bush to have taken time to come up with his own policies.
- He was very warm toward Ronald Reagan.
- With respect to Mrs. Bush going to Malta, Raisa acknowledged having received the letter from Mrs. Bush and said that she looked forward to working with her in a friendly fashion.
- The Gorbachev's seem to have a friendly, affectionate relationship.
- Gorbachev said he never thought he'd end up running the shop; that he had first written down his reform ideas when he was first transferred to Moscow.
- He said that when he became General Secretary he had called for the memo he had sent in on reform years earlier.
- Gorbachev said that George Bush seemed quite conservative in his view of the world.
- Gorbachev gave tempered, quiet responses. Raisa indicated that he would serve two full terms.

Mulroney then noted a number of observations from his meetings with Ivashko in the Ukraine:

- Gorbachev is completely supported by the Central Committee in his policies and personally.
- Unrealized expectations led to a decline in Gorbachev's popularity which for a time unsettled him.
- Gorbachev will be absolutely in command for five years. On a scale of 1 to 10 his political strength is over 9.

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-- Gorbachev does not have an identifiable enemy as to cause him trouble.

-- [REDACTED] (b)(1)

-- Gorbachev needs a durable peace so that he can concentrate on the economy.

Ivashko made no attempt to hide problems. He indicated the system had failed. They want to be like us, but not have it lorded over them.

Mulroney said to the President, "If you take care, yet lend a hand, you and Gorbachev will walk together into the history books."

In response to a question about how the US could lend a hand, Mulroney responded:

-- Help the Soviets integrate their economy into the West. For example, see the USSR have observer status at GATT and perhaps integrate them into the IMF. Perhaps each year the chairman of the industrial nations summit could meet with Gorbachev afterward. He noted the importance of the symbolism of a meeting on economic matters.

-- It is time for an initiative on ground forces. We must acknowledge that they will not be around in these numbers in five years in NATO. We should not have unilateral reductions but we should take a chance for peace.

Mulroney said he discerned historic opportunities at Malta.

The President responded that he intended to lean forward. Our purpose for the meeting is exactly as Gorbachev outlined. He intends to be as informal as possible. He does not intend to put him down and intends to avoid a "we won, you lost" approach. He intends to give Gorbachev the benefit of the doubt. On arms control, the President indicated he is prepared for a broad discussion and wants Gorbachev to sense flexibility. He wants to offer the hope that the status quo will change. He would like to accelerate START, CFE and CW. On Central America the President indicated he would be tough, particularly with respect to Castro and Ortega. He will lean forward and make sure Gorbachev understands that we will not conduct ourselves in ways to make life difficult for him.

Clark turned to Central America saying that Shevardnadze had indicated with regard to Nicaragua and Cuba that the USSR has an

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obligation to supply Cuba because it is under blockade. However, if the US and Cuba were to come to terms, the Soviets could back off. The President responded that Gorbachev is going to hear plenty about this. What good does it do him? "I have no impression that he wants to be in any of these countries."

Mulroney told the story to Ryzhkov that the Canadian manager of McDonald's in Moscow advertised for applicants for jobs. He said 19,000 people applied for 500 jobs, so many that the postmaster asked them to stop advertising. With these economic problems Mulroney asked, why should they put so much money into that dopey little island? He said Ryzhkov seemed to have a sense of embarrassment about it and a real sense of financial drain. He said, "Aid to Cuba, Mongolia and Vietnam is substantial and must be allowed to run down." Clark added that their whole preoccupation is with domestic matters. He thinks they have a sense of obligation to Nicaragua and Cuba.

Mulroney then made a number of suggestions of economic measures the US could take to help the Soviets.

- Repeal Jackson/Vanik.
- Join GATT and OECD with observer status.
- Include the Soviet Union in IMF and World Bank economic reviews.
- Support the idea of having the Chairman of the Economic Summit later meet with Gorbachev.
- Support an East European Development Bank.
- Reduce COCOM restrictions.
- Reduce troops in the near future.

The US should untether the Europeans even while providing strategic leadership. Overall, Mulroney said his impression of Gorbachev's attitudes toward the President were that "he is there for the long haul and you're in place for the long haul."

{This memorandum was prepared by Robert Gates.}

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