

My Thanks To The Industrial Relations Research Association For The Lifetime Achievement Award

George P. Shultz

I am deeply honored that the Industrial Relations Research Association is awarding me its Lifetime Achievement Award. Since I was president of the IRRA in 1968, my career has taken many twists and turns in the public and private sectors as well as in university life. I learned a great deal from my work in the industrial relations arena and that learning has stood me in good stead in every post I have held.

Whatever your formal discipline—mine was economics—you learn in top posts to think in broad terms about problems or opportunities as they exist and what to do about them. So you can use many lessons from the industrial relations arena. You learn to negotiate and you learn something about timing. You learn about the importance of the attitudes people bring, about the role of a leader, of a mediator, of an arbitrator. All these industrial relations skills have their counterparts in other fields. Here are a couple of examples taken from my time as Secretary of State.

Negotiations with the Soviet Union in Moscow: Setting a Date for a Summit

At precisely 11:00 am, I walked from my end of St. Catherine's Hall and Secretary General Gorbachev from his. We met, as was traditional, in the middle of the room. Our delegations followed. A small pool of reporters was present. Gorbachev engaged in a little banter. One of the reporters shouted something about a trip by Gorbachev to the United States. "I think it's going to happen," he said. Summit fever was everywhere, and the press took this comment as confirmation that an agreement about dates for the Washington summit was coming. The reporters were herded out, and we started in.

On my side of the table sat Frank Carlucci, along with Paul Nitze, Roz Ridgway, and Ambassador Jack Matlock, plus our note taker, Mark Parris, and our interpreter. We looked across not only at Gorbachev but at Foreign Min-

ister Shevardnadze, Ambassador Dobrynin, Marshal Akhromeyev, Deputy Foreign Minister Bessmertnykh, Ambassador Dubinin, Gorbachev adviser Chernyaev, and the Soviet interpreter.

Gorbachev was smiling and positive in his manner. He noted that my presence in Moscow so soon after Shevardnadze's lengthy meetings in Washington spoke for itself and suggested that the U.S.-Soviet relationship had entered a more dynamic phase. The Soviets welcomed this, said Gorbachev. But, he continued, "The most important thing is substance. I feel that there, too, something is emerging."

I agreed and noted what I had said in my toast the day before: "Ten years from now, people will record the Reykjavik summit meeting as having accomplished more than any previous summit."

Reykjavik had been "a kind of intellectual breakthrough," Gorbachev responded. Its shock effect, he said, had been similar to that caused by the reaction to the plummet of 500-points of the U.S. stock market on October 19, 1987, just four days earlier (he couldn't resist a shot at capitalism), a sense that something big had happened. "When people settle down," he said, "they realize that a new stage in the U.S.-Soviet political dialogue has started, especially in security issues."

Gorbachev asserted that an intermediate-range nuclear force (INF) agreement could be completed soon. The main issues should be resolved in Moscow, leaving only technical questions, drafting, and editorial work for the negotiators. He then challenged me. "Why is deployment of INF missiles continuing? Perhaps we should consider a joint moratorium effective November 1, even before signing the treaty." Such a move, he said, would correspond to the political decision that had been made to conclude an agreement.

Remembering my industrial relations training, I did not buy that argument. We should not give up what they were seeking in the negotiations until the negotiations were satisfactorily concluded. He said the "root problem" was "strategic arms" and "offensive arms in space."

Gorbachev suddenly turned sour and aggressive.

After some additional comments, Gorbachev mellowed, suggesting we "conclude this sharp exchange on the note on which I began, a desire to improve relations. How would you like to conclude the meeting?" he asked, more or less inviting me to make some comments about the summit. I did not bite.

"The agenda does not seem to measure up to what would be necessary at a summit and raises the question, would we two leaders gain or lose in our own countries and the world," Gorbachev continued. "It was right to have the first summit in Geneva and there have been many meetings between you and Shevardnadze, so what would be better, a summit meeting or something else?"

People will not understand if the two leaders keep meeting and have nothing to show for it, especially since both agreed and said publicly that strategic arms were the key.”

In every meeting that I had with Gorbachev, he always precipitated at least one episode of tension and acrimony. But I also felt something unusual was transpiring now. I couldn't quite place my finger on what it was, but I was determined not to fall into the trap of trying to adjust substance in order to persuade him to come to Washington. So I responded, again using my industrial relations instincts, that if Gorbachev could not come to Washington, then perhaps “we should consider other ways to conclude an INF accord. The accord is virtually complete and should be signed, ratified, and put into effect,” I said.

We should both do some thinking to “clarify what should be done,” Gorbachev responded. “I will report to the Soviet leadership, and I assume you will report to the president.”

“Of course,” I replied. “Meetings of the leaders of the two superpowers should be possible without the world shaking. There is much to discuss,” I said, “and it isn't necessary that every central issue be resolved.” In any case, I would report to the president and “give some thought to alternative ways to have the INF treaty signed.” I could tell that he did not appreciate that suggestion.

Gorbachev kept saying that if we worked hard between now (late October) and a prospective summit toward the end of the year, we could accomplish a great deal in strategic arms and space. I said I doubted it, although we would work on the problem. I felt once again that Gorbachev was trying to exact a price in exchange for his agreement to come to Washington. I was determined not to bite on that apple. Gorbachev then said, “The dialogue is not over. I have the advantage that I can write directly to the president.”

By this time, it was 3:00 in the afternoon, and our luncheon at Spaso House had long since been canceled. I went from my meeting with Gorbachev to the security bubble in our embassy, where I called President Reagan and described what had happened. I told the president that if he wished to take a different approach, I knew I still had time to turn the situation around. Perhaps a date could be set for the summit, but, I said, “I think we should just pass. We shouldn't push for this.” The president, disappointed though I knew he must be, agreed with me.

I went on to my press conference. The expectation was that I would announce the dates for the summit, regarded as the key objective of the whole meeting. Toward the end of my opening statement, I said that we had not agreed on any date for the summit, and so I was searching around for alternative ways to have the INF treaty signed, since it was practically completed. I did not in any way raise objections to Gorbachev's refusal to set a summit date, though he had encouraged every expectation in advance that he would do this.

I did not want to dig him into a hole any deeper than he had already dug for himself—once again a lesson from industrial relations.

When I briefed the NATO foreign ministers in Brussels on Saturday, October 24, I reassured them and said I thought they shouldn't be too concerned. I reported on the positive developments from the Moscow meetings, including the narrowing of differences on the number of ballistic missiles to be allowed in Strategic Arms Reduction Talks (START).

I had just arrived in Washington that same evening when a cable came in from our embassy in Moscow. Deputy Foreign Minister Bessmertnykh had told Ambassador Matlock that Gorbachev had "blundered": my meeting with Gorbachev "did not go as planned." The Soviets would try to patch things up with us, he indicated. I could imagine that this was so, from the point of view of the Soviet Foreign Ministry. But Gorbachev knew something, I felt, something connected with Kremlin politics, that the bureaucrats in the ministries did not know. Whatever the problem was, the Soviets quickly moved to repair the damage. "There is no reason to discuss the visit of Shultz to Moscow in terms of failure," Bessmertnykh told Matlock. On October 27, Matlock telephoned me on the secure phone from Moscow. Gorbachev had reversed himself; he wanted a summit. Shevardnadze wanted to visit Washington on October 30 to set the date for it. A letter was coming to President Reagan.

I called the president immediately. "Gorbachev just blinked," I said.

U.S.-China Relations: Getting the Concept Right

President Reagan's instincts and my own views on the People's Republic of China were similar. We well understood and appreciated the geostrategic importance of China: an ancient culture with large ethnic Chinese communities extending into many other countries of the region, a nuclear power with ballistic missile capability, an antagonist to the Soviets and a partner in efforts to counter them in Afghanistan and Cambodia, and a country with a permanent seat and veto power in the UN Security Council and with an enormous population of tremendous talent and capable of becoming a large trading and investment partner. Recognizing this, we nevertheless sought to alter the thinking underlying our policy. My own attitude was a marked departure from the so-called China-card policy: the idea that the United States could maneuver back and forth, playing one big Communist power off against another.

When the geostrategic importance of China became the conceptual prism through which Sino-American relations were viewed, it was almost inevitable that American policy makers became overly solicitous of Chinese interests, concerns, and sensitivities. Indeed, though President Nixon's historic opening to China in 1972 gave both countries some leverage with the Soviets, it is also true that the opening gave the Chinese leverage against us. As a result,

much of the history of Sino-American relations since normalization of relations in 1978 could be described as a series of Chinese-defined “obstacles”—such as Taiwan, technology transfers, and trade—that the United States had been “tasked” by the Chinese to overcome in order to preserve the overall relationship.

On the basis of my own experience, I knew it would be a mistake to place too much emphasis on a relationship for its own sake. A good relationship should emerge from the ability to solve substantive problems of interest to both countries. As an old labor hand, I had observed over the years that good relations deteriorate when the two sides start valuing the relationship itself too highly. That would lead the union leader to say, “Let’s not push that grievance. It will upset management.” Or it would lead management to say to a foreman, “Don’t get so excited about that problem; you’ll only stir up the union stewards.” When problems are not addressed, the relationship unfailingly deteriorates. I am convinced that just as I had learned from work on labor-management relations, the road to a bad relationship is to place too much emphasis on the relationship for its own sake.

Furthermore, the moment the Chinese saw that we so highly valued our relations with them, they would use that assessment to gain concessions. It was therefore in the interest of the Chinese to have us believe in the geostrategic triangle and in our responsibility for sustaining it. Once those premises had been granted, we could then be expected to concede on other issues, which by comparison paled in importance.

I remembered the lessons from studying “The Causes of Industrial Peace Under Collective Bargaining.” I told those experiences to the president. So we changed the underlying assumptions in the U.S.-China relationship. This change is one of the reasons why that relationship prospered in the Reagan era.

In my entire career, I have been conscious of the learning that came my way in the course of industrial relations work and study.

My thanks to all of you for this special honor.

With my respect and admiration,
George P. Shultz