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MEMORANDUM OF CONVERSATION

SUBJECT: Working Lunch with Chancellor Helmut Kohl of Germany

PARTICIPANTS: The President
John Kornblum, Ambassador to Germany
Sylvia Mathews, Assistant to the President
and Deputy Chief of Staff
Samuel Berger, Assistant to the President
for National Security Affairs
Donald Bandler, Special Assistant to the
President and Senior Director for European
Affairs, NSC Staff (Notetaker)
Interpreter

Helmut Kohl, Chancellor
Klaus Kinkel, Minister of Foreign Affairs
Joachim Bitterlich, National Security
Advisor
Walter Neuer, Chancellery, Chief of Staff
Jurgen Chrobog, Ambassador to the
United States
Interpreter

DATE, TIME Wednesday, May 13, 1998 1:45 p.m.-2:45 p.m.
AND PLACE: Sanssouci Palace, Potsdam, Germany

The President: (After an exchanges of courtesies.) Helmut, I am bitterly disappointed by India's nuclear testing decision. I have been working very hard to improve ties with India and I didn't know about the test before it occurred. (G)

Chancellor Kohl: You were not aware? (G)

The President: No. They were very clever in their deception. I believe they are doing this partly because they feel the other democracies don't value them enough. India is in fact the

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largest democracy in the world. It will soon have the biggest population and the Indians feel they are just not going to be accepted as an important power unless they have nuclear weapons. (G)

Now we have to look at the problem in Pakistan with its historically important military. It is an enormous problem to try to get them not to test. In fact, the reason I was late this morning is that I was on the phone with Prime Minister Sharif trying to persuade him not to do this. (G)

In the background, of course, is our own strict law. If a country is not an established nuclear power and they test, we have to cut off all but humanitarian aid. We have to cut off EX-IM bank loans, OPIC guarantees and all kinds of credits; the only exception is purely humanitarian assistance. It is a very strong law and I have no power to waive it. The Congress does have 30 days in which it can vote not to implement sanctions, but there is no chance this would happen in this Congress. Therefore, we have one fine mess on our hands, but it will be worse yet if Pakistan goes ahead and tests. (G)

Chancellor Kohl: Will Pakistan do it? (G)

The President: I was sure they would before I called Sharif this morning. The military will want to and the Pakistani press will be stirring things up domestically. I am hoping that our sanctions decision and other nations taking a firm line on India's tests will lead the Pakistanis to decide otherwise. They have problems of their own. They are not blameless, but the Indians are the big problems here. And unless international pressure is strong enough on India, Pakistan has no domestic downside pressure on it to deter it from testing. (G)

Chancellor Kohl: Will China object? (G)

The President: Yes, but I don't think that will be in high decibels. Since China is a nuclear power and there are tensions between China and India, their pressure could backfire. I think China prefers not to take the lead, but rather to join in the parade. (G)

I'm being active partly because I am personally disappointed, but I would do it anyway for strategic reasons. I went to bat for India. I treated them -- and tried to get others to treat them -- as a major democracy, as a major country. This is all about nationalism. (G)

Kinkel: How advanced is India on the technical side? (C)

Samuel Berger: India is way ahead of Pakistan technically. (C)

The President: Pakistan has little capacity to deliver the weapons systems. India has more. The continued conflict in Kashmir is a real problem, and if we had both India and Pakistan as nuclear states, this would certainly not be a good situation. (C)

Chancellor Kohl: You are going to be in China in four weeks, aren't you? (U)

The President: In about six weeks actually. (U)

Chancellor Kohl: It could be a sensitive moment. What is your assessment of the new government in China? Will they move forward with the United States? (C)

The President: Yes, I think so. China has an interesting political culture. Essentially, it is a closed system. They move at a very slow pace most of the time, but are also capable of moving fast. (C)

As you and I have discussed, NATO enlargement has significantly increased Russia's unjustified fears of encirclement. What China fears is internal destabilization. They know their central government has lost a lot of economic control. They know there are a lot of supporters of the Dalai Lama and of religious movements generally. They know that the West has large expectations on human rights. And on balance, they are going in the right direction. (C)

You know we had a terrible problem with the Chinese on intellectual property rights. They were pirating a lot of American CDs, we complained about it and over the last year they have closed down many of the pirate factories. They did better than I thought they would. Jiang Zemin is a smart man. He would like to define China's future in terms of greatness, human rights, partnership and territorial respect. But he is also ambitious and he has unfinished business in Taiwan and in the Spratly Islands, which have an important place in energy futures. On balance, I think he wants to be a constructive partner. (C)

Chancellor Kohl: Your visit to China will be important beyond the bilateral issues. I can only support you. Your visit will cause an outcry among some, particularly on the issue of human rights because you will surely concentrate on individual examples. In truth, the most can be achieved by helping the regime to open itself up. You bring states like this along only in one way -- by talking and talking and talking. I am also talking with the Chinese. I spoke with Jiang before Easter in London. We sat side-by-side over lunch. He is aware of the risks he is running. There are forces running against him and he knows the importance of our relationship with them. (G)

The President: He has a positive vision for China's future. They need to avoid mistakes at the close of the 20th century so they don't move from their own image as China the oppressed to become China the oppressor. (G)

Chancellor Kohl: China is also a very important fact for North Korea. It is the only country that has influence with them. Do you expect progress in North Korea? (G)

The President: We have started talking again among the five. We and the Chinese have sponsored the peace process. The new President of South Korea has a political base and a personal character that enable him to understand and to be patient in working with North Korea. The only thing the North does well is build missiles. It is an entirely closed society. They are painfully insecure. This makes them feel like they have to walk away or make threats to get their way. We have to avoid stoking fears and insecurities which can increase the dangers of dealing with them. The new South Korean President's credibility in both the North and South is a help. (G)

Chancellor Kohl: He is a very impressive fellow. (G)

The President: He has a level temperament, is personally secure and has the kind of insight needed to arrive at a solution. I have the impression that neither of the leaders, however, are interested in German style unification. (G)

Chancellor Kohl: We are a bad example for the Koreans. (G)

The President: No, you are a good example. The North Korean leaders used to speak openly about their obsession not to be compared with East Germany. The ultimate fix is a different organizational approach. We have a real chance to make progress on this over the next few years. (G)

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Chancellor Kohl: Do you have any new details on the son? I don't know anyone who has met him or who knows him. (C)

The President: Rumors have it that he is fond of kidnapping young ladies. I don't know. He seems to be a bit more stable in some ways, possesses a bit more self-control in making decisions. (C)

Samuel Berger: He does not yet have the supreme leader title. That suggests that the powers behind the scenes are not yet totally comfortable with him. (C)

The President: It is interesting that they are using the peace process to stave off collapse. In fact, they have threatened to withdraw a number of times. This is a pretext. The reason for these threats is to get American aid. The natural donor, however, is Japan. Tokyo has provided some aid in the past but still has lots of hard feelings over incidents in the past several decades. (C)

The bottom line is that the new President of South Korea possesses a personal security, strength, maturity and a sense of history to make this peace. We intend to help him. North Korea really only has the capacity to sell missiles and to march on the south -- only 18 miles away. And both of those are big potential problems. This is probably more than anything else what kept us from signing the anti-personnel landmine treaty. We have a huge mine field which is essential for defense. It is very well marked and no one has ever been killed on it. [REDACTED]

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would be happy to resolve this in the next few years. (C)

Chancellor Kohl: What are the prospects for the Middle East peace process? (C)

The President: Not good, but a peace is possible. Prime Minister Netanyahu has a coalition government, including some who don't want to give anything more to the Palestinians, and they threaten the government at each turn. Despite lip service, Netanyahu doesn't really believe in Oslo. The process has too many risks, will cost too much land and he has other concerns. Notable among them is the fact that Israel is changing rapidly. Its population has increased, there are many more immigrants from the former Soviet Union as well as more orthodox. These people have the same mentality as the people who arrived in 1948, and they are allergic to the idea of giving up land.

Likud, in fact, is historically the governing party in Israel. Labor has the same policies as Likud on Jordan and Egypt but a very different one on the Palestinians, they don't like them or trust them. (C)

Still, despite all of this, Netanyahu could make a peace deal. If his government fell, he could stay for five years in any case and call new parliamentary elections. The fundamental fact is that he feels better off not making a decision here. We disagree. Arafat's position is eroding, Hamas is growing, and there is erosion of American credibility in the Middle East. So we are increasing the heat and the pressure. But Netanyahu has few strong political opponents at home. He feels he can be tough and independent. So Madeleine Albright, Sandy Berger and I all want to increase his incentives to start final status negotiations. (C)

Chancellor Kohl: I spoke with both Bibi and Arafat for a long time recently. Neither of them dares to take the next steps, and they are very open about it. Arafat is aware that time is working against him. When I met him, I saw that his determination was flagging. Netanyahu proceeds on the basis of not only having constitutional advantages, given his direct election, but also of the fact that he expects to continue winning elections. He appears confident, although I am not sure that this is really true. He believes he has a strong personal position with respect to his opponents. Peres is gone. He is not sure how strong Ehud Barak is, but he sees him as weak and believes that time is working in his favor domestically. (C)

He also believes that he is clever enough to realize what he needs to do to steer Israel. He is highly intelligent. He thinks along two lines domestic and short-term, and then a mid-term view. We should work with him on the latter. One day he pulled out a map and showed how the world is changing. He worries about what is happening in Egypt, especially with Mubarak being almost 70 years old. There is a difficult situation in the Mideast and unpredictable changes in the world all around. (C)

We have to keep up our intensive dialogue with Netanyahu. In trying to push him, it is important also to give him the opportunity to save face. He is extremely worried about the future and appreciates that his own position also has a certain fragility. He is under a lot of pressure, and is very proud. I am going to make sure that the European Union heads of government discuss this in June and we should bring it up in

depth at the G-8 in Birmingham. The way things are developing in the Mideast is very bad. I worry that it might explode. (C)

The President: What is your assessment of Kosovo? (C)

Chancellor Kohl: Kinkel is there all the time. It is certainly a major crisis for the people affected and many of the burdens of the refugees fall on our doorstep. We have 150,000 of them from Kosovo now. If we get a real crisis, 300-350,000 more will flee our way, which would be a catastrophe. (C)

Foreign Minister Kinkel: The main problem is to make the Kosovo Albanians agree to a dialogue. If not, the prospects for guerilla warfare and a lot of violence go up. Therefore, we are grateful for Holbrooke's and Gelbard's good effort during their recent visit. It is a very important development. I must admit that I had not thought they could achieve what they did, particularly, getting Milosevic's agreement to offer an invitation to Mr. Rugova. I hadn't thought it possible that they could get Milosevic to accept inviting Rugova and to allow the United States to be in the antechamber. I am not sure about the prospects of this holding for the long-term, are you? (C)

Samuel Berger: We will see in the next week or two. (C)

Foreign Minister Kinkel: In the long-term, we should bring in Philippe Gonzalez as the mediator under the auspices of an OSCE long-term mission. The United States can and should help on that. Secondly, we should consider how to be present on the ground in Albania. The Partnership for Peace might be one way to show our presence. Thirdly, we have the question of an extension of UNPREDEP. (C)

The central point is to maintain dialogue. Otherwise, we are going to see causalities, we are going to see fighting. The Kosovo Albanians are becoming more aggressive. While the Serbs are sitting back in their police stations and reacting. It is at least encouraging that the MUP is doing shuttle diplomacy on "talks about talks." It is also important that the United States recognize that we need Russia on board; the U.S. often tends to view this as less important. (C)

The President: I called Yeltsin about this and he feels a bit better. We are prepared to push Moscow hard. In the end, Milosevic must forswear a military solution. (C)

On the human level, it should be easier than in Bosnia. People live separately in this region, and what they want is a better deal. It seems to me that we can be very helpful. We will see Yeltsin in a few days. It is important to get him to focus on this issue and to try to get him to buy into a common set of policies. (C)

Foreign Minister Kinkel: I suggest that you use the G-8 to work on this as well. (C)

Chancellor Kohl: Yes, we have to do everything possible with Yeltsin. It is very important to work with him closely while he remains in office. No one knows who is going to replace him. It is clear that Yeltsin is driven by a desire to be respected personally. He also wants his big nation to be respected. He is looking at the 21st century and the future, not looking back to the 19th century. He has a European vision, with all that entails. The two of us can move him and should do so. He distrusts most people -- especially his own apparatchiks -- but we have his trust now and we really need to work with it. (C)

The President: I agree. We'll keep working together on those lines. (C)

-- End of Conversation --