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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Chancellor Schroeder of Germany
(U)

PARTICIPANTS: The President
Samuel Berger, Assistant to the President
for National Security Affairs
Antony Blinken, Special Assistant to the
President and Senior Director for European
Affairs, NSC Staff, Notetaker

Gerhard Schroeder, Chancellor
Michael Steiner, Diplomatic Adviser to the
Chancellor
Hans Blomeyer, Deputy Diplomatic Adviser to
the Chancellor

DATE, TIME May 6, 1999
AND PLACE: Chancery in Bonn, Germany

The President: Gerhard, I am very glad that we had a chance to see the refugees together earlier today. (U)

Chancellor Schroeder: Yes, so am I. It was very moving. I found it very interesting to see the internal social context. There was a mixture of very humble people and also academics and upper class people. They seem to be mixing very well together. By the way, I just had a phone call with the Macedonian Prime Minister. He told me that the border is not entirely closed. He hopes very much that European countries will take more refugees so that they can keep the border open. He also raised the problem of financing for Macedonia. We have allocated 100 million Euros, but the money has not been released yet. The Macedonians fear that they will end up picking up the bill after all. We have to ensure that we are in control of the bureaucracy and that the money flows in. And if the Macedonians have to face this problem alone, then we will have the refugees treated much worse than we want. So I hope that we can make

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clear coming out of this talk that we will set an example for how we can help. We've talked here in Germany about taking more than the 10,000 we've already taken in. I know that you have talked about 20,000. Other Europeans must live up to their commitments and do more. Otherwise, the Macedonians will close the border, and we will have an explosive situation. (C)

The President: I agree it's very important to get the money flowing quickly. I hope and expect our Congress will approve a supplemental bill that will provide humanitarian and emergency assistance, and also more long-term aid. If it passes, we should be able to move the money quickly to Macedonia and Albania. And also we may be able to go above the 20,000 refugees we committed to take. But I agree with you that it is key that we get other Europeans to take more. I believe the Turks could take many more people in. It is a big country and they have been terrifically supportive on Kosovo. But we need to find a way to get more people to Turkey -- a passage -- with transit bridge capabilities in Macedonia and/or in Albania to keep them in transit and move them through. In essence, we would like all the refugees in Macedonia to be on their way somewhere else. Otherwise, if too many people stay, the KLA could act up, we could have a very destabilizing political situation as well. Gerhard, how soon can you release the European money? (C)

Chancellor Schroeder: Well, the whole financial framework that we have is 250 million Euros. But the Macedonian Prime Minister said to me today that even the money that already, according to our books, has officially been sent has not been received. So there seems to be a problem with the transfer of funds. We will work on seeing that it does not stay stuck. There is another problem and that is the budget. There are some Paris Club efforts on debt relief but the results are less than the Macedonians expect. I am convinced we must look into that, too. At the very least, we should be able to suspend the debts owed by Albania and Macedonia. (C)

The President: I would support the most liberal debt relief possible for both. Even before this crisis, they were, of course, among the poorest countries in Europe. So we should do everything we can to help. Now, this has budgetary implications for us depending on the way we do it, but we have to do something. It would also send a strong signal to other countries, and to the world that we will be responsible and help. We'll have our people get in touch with yours to think this through. (C)

Chancellor Schroeder: Yes, I agree. And just to sum up, it seems to me there are three points that we need to speak about when we see the press. First, more direct support for Macedonia and Albania. Second, debt relief. And third, taking more refugees in. If we can be outspoken on these points, I think that will help. (C)

The President: I agree with you. In addition, I think we should say that we met with the refugees. We can make it clear that they appreciate very much being taken in, but that at the end of the day, they want to go home. That will make it easier for the British and the French to take more people in. I was impressed hearing from so many of them, that they don't want to stay in the West, they want to be able to go back to their homes. Privately, I suggest that both of us call President Demirel or Prime Minister Ecevit, if he is confirmed as the new Prime Minister, and say to them we will help you if you can take in lots more refugees. We need to work on building a transit bridge to Turkey. Then if we were able to tell Macedonia that our goal is to have people in transit, to move them through to another destination, Macedonia will treat them better. I think Tony Blair is in favor of doing more with the refugees since he has been in Macedonia. He said that the UK will take more. (C)

Chancellor Schroeder: Yes, I hear the British will now take 3,000. (C)

Mr. Berger: It is interesting that because the refugees do want to go home, that has made it more difficult to get some of them to the United States. They are afraid that they are going too far away and so that makes it less likely that they will be able to return home. (C)

The President: I think we should also clearly reaffirm our commitment to help the whole area, especially in terms of economic integration, both within the region itself and within Europe as a whole. (C)

Chancellor Schroeder: On May 27, we'll be having a conference here in Germany on that very subject. We've invited senior officials from all of our countries. It will be an expert's conference near Bonn. The idea is brainstorming among experts about stability in Southeastern Europe. They would prepare a plan or statement that the Foreign Ministers could sign four or five weeks later. What we want to do set out a practical process. I agree it has to include an integration approach and

a strong economic plan. We also must have a clear political prospective. We should set out a vision of Europe that is in reach for all of these countries. For example, we should pursue cooperative agreements with the European Union. It is important to start these negotiations now. We need to give them a clear, more tangible prospect for moving toward Europe. (C)

The President: I think that is a wonderful idea. Let me add a couple of thoughts. First, I think we need to offer as much short-term political support as possible. In the run up to this meeting, you could invite all of the leaders from the region to meet with you as the leader of the European Union. You could ask them the same questions you will ask the experts to get their views and to get them to buy in. That is not bad for you, and it would be very good for them. These are good people who are struggling very hard and we need to support them. Second, when we know the amount of money that people will be able to contribute, we should look at what the World Bank can do quickly. It has less red tape than the IMF for infrastructure projects. For example, if a German highway contractor that built your autobahns could hire people in the countries themselves, that would create business for you and employment for them. It is critical in countries like Bulgaria, Romania, Macedonia and Albania that they see examples of local people getting work. This can have a real impact on the mindset of people. Especially in Romania and Macedonia, we don't want to lose the leadership that we have. They are going in the right direction so we need these short-term steps. At the same time we need a long-term vision. I think there are some interesting lessons we could learn from the Marshall Plan. If each country already has an individual agreement with the EU, you might consider if you could sweeten it by also creating a regional agreement with the EU. Of course, to get in, there should be conditions just as there were in the Marshall Plan, for example, guaranteeing the rights of minorities, peaceful relations with neighbors and so forth. The Marshall Plan committed its participants to strengthen liberty and to cooperate with their neighbors. Indeed, many of the benefits of the Marshall Plan were non-economic in nature. I believe these countries need to independently relate to Europe, but also to each other in a different way. We will do everything we can to help, but of course, Europe must play the lead role. If we can get people to think of their region in a positive instead of a negative way, that will make a big difference. In particular, we need them to understand the benefits that they can get from relating better to each other. This can really change the daily mindset. (C)

Chancellor Schroeder: Yes, I fully agree with you, and I think that what you describe was starting to work in Bosnia. (C)

Mr. Steiner: Yes, this is right, but, of course, the problem is Milosevic. He is incompatible with any kind of regional approach. We need new leadership. Or you have to work around that. (C)

Mr. Berger: It is also very important that we learn from Bosnia. We did not do the civilian part well. In part it was organizational problem. We need to act in a way that is not duplicative, bureaucratic -- structure is key. Also, another way to integrate them is to think of this as a regional system. Highways, electric grids, transportation, all of these things can pull countries together. (C)

The President: As to Serbia, I would condition participation in this regional system on their having a genuine democracy, on non-aggression, on respect for minorities. Of course, these are all conditions that they cannot meet right now. Second, if you let Bulgaria and Romania take part, then there is no question of the re-creation of the greater Yugoslavia. In terms of Croatia, there are several problems that have to be dealt with. First, it doesn't want to be part of Yugoslavia again. Second, given its geography, it sees itself as moving to the West faster than others, and so may not want to be tied to the region. Third, there is, of course, some chance the War Crimes Tribunal will charge Tudjman. In the early days of Bosnia, after Tudjman saw Milosevic literally getting away with murder, he decided that he could do the same thing, too. There was an unholy alliance. It took us about two years starting in 1994 to switch Tudjman from an alliance with Milosevic to an alliance with the Bosnians. That served us very well, of course. The confederation took away a second front in the war, the Bosnian army got stronger fighting with the Croats, they gained ground, and then with NATO we bombed. So anyway, we have some problems with Croatia, but I think we can figure out a way to make this work. (C)

Mr. Steiner: The bottom line is that we need new leaders. In Serbia, I think we need to increase our support for opposition leaders. The Chancellor will see Djindjic here next week. To make this regional approach work, we have to find alternatives to Tudjman and Milosevic. (C)

Chancellor Schroeder: Yes, and, of course, we must also include Djukanovic from Montenegro. (C)

Mr. Berger: Well, I hope that when Djukanovic comes to visit you, he will be able to go home again. (S)

Mr. Steiner: We would not publicize the meeting, it would be a secret. (S)

The President: We also have to deal with the question of how much we are willing to do to protect Djukanovic. If Milosevic moves against him and he wants NATO air power to strike certain things, I believe we should do it. He is democratic leader and we should help. Now I don't think Milosevic will move against him. He just wants to keep him off balance. (S)

Mr. Steiner: Yes, I agree with that. It actually would not make sense for him to move against Djukanovic. (S)

The President: It would run the risk of having troops more massed and so make them easier for us to hit. At the same time, it would require him to divide his forces and so make him weaker in Kosovo. (S)

Chancellor Schroeder: Bill, let's talk a little bit more about your long-term perspective for where we are going on Kosovo and what the solutions can be. I agree we must show no restraint and no reservations about continuing the air strikes. But I am also convinced that we need to pursue these political efforts like the G-8 conference. We would like to have strong Russian support for a UN Security Resolution in line with Chapter 7. But I would like to know for the United States, what is the result that should emerge from Kosovo? I'm not just talking about the ideal outcome -- in other words Russian support for United Nations Security Council Resolution, an international NATO force -- but if that doesn't happen, then what? What can we do and what can we not do? (S)

The President: Let me start with the ideal situation and then come back to the options. I think there are three parts to this ideal outcome. First, in terms of Kosovo itself, we know what we want, if our conditions are satisfied -- the Serbs are out, the Kosovars are back in, there is a multinational force with NATO at its core -- that is what we need and we can't add new conditions, like no more Milosevic. And of course, I would also like to see Russia and other Christian orthodox countries like the Greeks and the Ukrainians take part in the international security force. Second, I think that it is critical that we get to the end with our NATO alliance intact. In the 50 years of its existence, other than Bosnia, NATO has never had to do

anything like this. For most of its existence, it was a nuclear shield over Germany and the rest of Europe to preserve the peace. Now, despite all the problems we had, I am convinced this has worked rather well. It has been remarkable that we have had 19 countries moving in the same direction, considering that everyone has their own particular constraints here in Germany, the Greeks and so on. It has worked very well. That is one of the reasons why I am much more cautious than Tony Blair in terms of talking about ground troops -- even though I think that is a good way to keep Milosevic off balance -- because it is vitally important to keep the Alliance intact and not to create divisive debates. Finally, the third point in the ideal outcome is that we end this crisis with Russia more fully engaged with us than in the beginning. I would like to see them working with us as they have done in Bosnia. I would like to see a decrease in the anti-West, anti-American profile in Russia and an increase in support for moderates. It has been very difficult every since the economic collapse, and the rise of the radicals in the Dumas and then, of course, bombing has made it worse. And I know, it is especially hard for Germany given the tremendous debt that Russia owes to you. (C)

So anyway, those are the three elements I think of a positive outcome. But now, what if it does not work out as we want. Well, we have to look at several possible scenarios. We can continue bombing through the summer. But we have to prepare for the winter. And I mean that in two ways. First, we would need to prepare to introduce ground troops if we determine that the risks are acceptable -- the risks to Alliance solidarity, to our relationship with Russia and, of course, to the troops themselves. The second option, if we do not go to ground troops, is that we must decide now to come up with the money and the plan so that the refugees can be in camps in Albania, Macedonia and in other countries and survive the winter. I actually think it will be over by then, that we will not have to look at these other alternatives. But it is critical that we prepare for the worse case. (C)

Also, I agree that it is important to do what we did in the G-8 today. We are in a better position to work with Russia than we were before. At the same time, what the G-8 does, does not bind NATO. I hope that Russia will move more and more toward our position. (C)

The big problem I see is that we will have to make some very hard decisions for October within the next four to five weeks

from now. If this is not resolved in the next month, we have some very tough choices to make. (C)

Chancellor Schroeder: Yes, certainly one option is to make decisions by the end of May or sometime in June on the question of ground troops. Now there should be no illusions that this will be difficult for us, even impossible for us, but let's leave that aside. Second, on the question of winter, where would it be spent for the refugees, in Albania, in Macedonia, or in Kosovo itself? If there is a political solution within the next few weeks, could we get the refugees setup for winter inside Kosovo? There are lots of problems to sort out, the military side, the civilian side in terms of who does what. At this point, we need to see all of the alternatives, all of the options, all of the problems; we cannot rule anything out. (C)

The President: I would love it if the real problem were how to take care of the Kosovar-Albanians in Kosovo for the winter. Of course, it would be very difficult because so many homes have been destroyed. It would take a year of international effort. But as you said, there are real problems with ground troops -- not only the risk to the soldiers themselves, but the risk to Alliance unity and to preserving our relationship with Russia. The journalists always write about this issue as if there is only one question: do you have backbone to send in the troops? They totally ignore these other critical elements, the Alliance and the Russians. (C)

Of course, the huge problem to the scenario I outlined is what about the people still in Kosovo in the winter? It could be an opportunity here. The Russians and the Chinese might support some kind of UN force to help them, but the truth is we don't know. (C)

Mr. Berger: If the flood of refugees outside of Kosovo gets stronger, that is both good news and bad news. It is bad news, of course, because the refugee situation would be even worse, but it is good news in that it would be easier to help them outside of Kosovo. (C)

The President: We will be in a real bind if those inside of Kosovo freeze and starve to death. Milosevic may well keep 50,000 or so inside Kosovo and then let them starve to make us look as weak as possible. If we fail to plan for this and then people starve and freeze that is one thing that would break support for what we are doing for people in our own countries. (C)

Mr. Berger: I think this is all the more reason that we need to move on the maritime interdiction regime and resolve any of our remaining targeting problems. The leaders agreed to this at the NATO Summit, but we really need to put this into practice. (C)

The President: You know, on the question of this maritime interdiction, the Russian issue is a red herring. They are really not sending in oil by boat. At the same time, the Serbs need the water route for any substantial supplies of fuel and if we can cut it off, they won't get through the winter. (C)

Mr. Steiner: I thought that there was virtually no oil coming in through the water. (C)

The President: No, there is some coming in. And we need a detailed analysis of where, in fact, it's coming from. I feel very strongly about this. This might be a way also to bring Croatia in. A lot of the oil is coming by rail from Slovenia to the Croatian coast. Then small boats -- independent operators -- pick up the oil and move it down the coast. The Croats could let us put in some of our own small boats, like the Coast Guard, and there wouldn't be the threat of conflict since most of the boats that they would go after are not flagged. I am convinced that if we can cut off fuel, that would create a huge pressure for Serbia to settle because it can't risk a winter without fuel. And, of course, it's crazy to risk the lives of our pilots to take their fuel supplies and refineries only to let oil in by another way. (C)

Mr. Steiner: The Chancellor has been making exactly this point publicly. (C)

The President: I think we need to work together with Blair on this. I know that there are still people who have international law problems. But I am convinced that we can work around it. (C)

Mr. Steiner: The real problem is Russia. (C)

The President: Yeltsin tells me he is not sending anything, and doesn't want a problem. What they are doing, they are doing by truck, and there is not enough there to be a problem. (C)

Chancellor Schroeder: What about the Hungarians? (C)

Mr. Berger: In fact, as you probably know, they stopped a Russian convoy, held it for two days until they could verify the contents. The Russians were very upset about that. (C)

Mr. Steiner: You said that your big concern was the winter, how we stop people from starving and freezing. But that problem is a long way away. The problem of Alliance unity will be upon us well before that. We need a strategy to deal with that period. I can't see pursuing the air campaign until the winter and retaining support. This would be very, very difficult. (C)

The President: I believe that Milosevic will make a proposal close to our basic conditions before then. The American press is vastly understating the cost to him of the air campaign. I never thought that the air campaign would physically move Serbian troops out of Kosovo. I did think, and I continue to think, it will impose such a high price on Milosevic that he will move them himself. (C)

Chancellor Schroeder: How do you assess Milosevic's own situation, people around him? Do you think he is still getting information so that he understands the price he is paying, or does it not register? (C)

The President: It is interesting, when Chernomyrdin was in Washington, he said that Milosevic wants to know whether if there is an agreement whether his personal safety can be guaranteed. (C)

Chancellor Schroeder: Of course, I can imagine he would be concerned by that. (C)

The President: You should keep that in the back of your mind. I don't know if Milosevic meant his concern was that he would be killed by his own people, if he does a deal or if he is concerned about the War Crimes Tribunal indictment. (C)

Mr. Berger: Another scenario that's equally plausible is that Milosevic may be in a mental bunker but as to the people around him, especially the military and the economic upper class, the costs are getting higher and higher. Already, we know that the middle level in the military is disaffected, and he has been replacing the upper echelon, and we've been concentrating on his economic cronies and other key individuals. They may decide that this has gone on too long and take steps to end it. (C)

The President: It is difficult to know what he knows from one week to the next. I had thought that he was very isolated. But the release of the POWs and the release of Rugova, I think means two things. First, he is thinking, not just hiding. He wants to act. He is hurting. He is looking for a way out. Second, at the same time, he's still trying to split the Alliance to get a bombing pause. Now Milosevic showed in Bosnia that he used Serb nationalism to get power, but when the costs became too high, he cut it loose. And he was sitting with us in Paris and talked about how crazy the Serb nationalists were. He cut them off when the price became too high. Now, of course, Kosovo is different because he created it. And so he will pay an even higher price before he cuts it off. But anyway, I am encouraged by the release of the POWs and Rugova. Even if it were troubling because it was a distraction, it does show that he maybe looking for a way out. (C)

Mr. Berger: It is also interesting that he is carefully watching what goes on in our countries, watching very closely. He took a real interest, for example, in our recent House vote. That is why our public posture, the public posture of all of the allies, is key. We must convince him that we are prepared to outlast him. (C)

Chancellor Schroeder: I fully agree with that. (C)

Mr. Steiner: It is true that he abandoned the Serbs in Krajina, and then in Bosnia. But we do have to remember that Kosovo is different, it is something else, the parallel is not exact. (C)

The President: Yes, I know it is different and that the price he is willing to pay will be higher. And I don't know if he believes that if he makes any agreement, he loses. My fear is that he may see this as a lose-lose situation. That is what troubles me. (C)

Chancellor Schroeder: Over the long-term, it is important that Kosovo be stabilized. Once they start opening the mass graves and it becomes obvious what happened, it is hard to see the KLA and the Serbs living together in the same state. Now, we can't be saying this because there is clearly a difference between autonomy and independence. But we shouldn't fool ourselves either about the long-term difficulty. (C)

The President: Yes, we heard the same reaction from the refugees that we saw today. (C)

Mr. Berger: Of course, independence is less than optimal from another perspective too, which is that we have real questions about the economic or political viability of Kosovo. (C)

The President: The real problem is that it would scare the Russians and Chinese to death. (C)

Mr. Steiner: There is one other point we should emphasize and that is in Krajina, Tudjman took it back. In Bosnia, the Croats and Bosnians, together with NATO, took it back. Only then did Milosevic give up, he did not give back. Of course, in the long-term, he was the loser, because he lost Bosnia, he lost Croatia. (C)

The President: So the question is, how will he lose this one? Let me ask this: if we have to take it away and we can't use ground forces, won't we have to arm the KLA? If so, we lose control, they want to reunite with Albania, which Albania does not want. (C)

Mr. Berger: We are doing 700 planes and 625 sorties every night. If we get four weeks of good weather, combined with unrelenting punishment, I think we can succeed. But if he has not moved by then. (C)

Mr. Steiner: I don't think the result will be black or white. We cannot do it only with air power, nor can we do a full ground attack. What I think we can do is weakening him so much that he just needs [Steiner makes pushing gesture with hand]. (C)

The President: I agree with you, but the problem is that our military people will still say that we need a two or three month buildup, 200,000 troops on the ground. What we have done is the reverse of the sequence in Bosnia. There, we first had the Croats on the ground with the Bosnians armed by us. Then NATO came in with airstrikes to force Dayton, to push it over the top. Here, NATO airstrikes were at the start, these are conditions we cannot change. If we decide that having put our stake in early, we will never send in ground troops, the Kosovars will say at least give us the weapons to finish the job. If we say no to that, we will look terrible. We looked terrible in Bosnia for a long time. The UN was "killing" countless Bosnians because we wouldn't arm the Bosnians, in public view. We need to think about this. If there are no ground troops because of risks to the troops, to the Alliance or to Russia, what then? It is an impossible position. Public opinion will say by 3 to 1 that we should arm them and let them

defend themselves. We will have at least made it a fair fight. But then, of course, all bets would be off. We will never get the refugees back in. We will be facing a greater Albania. (C)

I still think that the plan we are pursuing is the best. Our critics say we didn't think this through like Bosnia. But there we had 250,000 dead. I still think that with all the problems, we are in much better shape today for having acted as we have. (C)

Chancellor Schroeder: One final question. What about the Ahtisaari mission? When will that be public? (C)

Mr. Berger: Chernomyrdin said two interesting things. First he said that Milosevic wants to surrender but not to NATO, the United States or to Russia. We need Kofi to accept the surrender. Second, the other interesting thing is that he described Milosevic's position on withdrawals as going to the October levels, he said that there could be a military presence but with NATO only in Albania and Macedonia, and finally he said that we had to stop bombing and then negotiations with Kofi would begin. The President explained why this would not work. Chernomyrdin is smart, he understands what the problems are. So we put down an alternative. He wanted an American negotiator to go with him to Belgrade. We said no, there is nothing to negotiate, and NATO's position is clear. Problem with Kofi is that he splits the difference. (C)

The President: We like him very much, but it is true that he would negotiate away several of our conditions. (C)

Mr. Berger: But we thought who would the Russians respect who would also be good for NATO? We recommended Ahtisaari. Chernomyrdin jumped at that. We think he is strong and tough. Kofi was cool at first to the idea because it is not his. I know Madeleine talked to Fischer about this and he was positive. So if we can have the head of the European Union and the United States ask Kofi to bless Ahtisaari to go with Chernomyrdin, that would be good. Chernomyrdin said that he would play the heavy. Then, Milosevic can make concessions to the United Nations. Admittedly, this is an optimistic scenario, but it is worth playing out. (C)

The President: No matter who Kofi picks, with the other two guys nothing good can come out. They will want to take different positions than NATO and Chernomyrdin. (C)

Mr. Berger: Chernomyrdin doesn't feel strong enough given the Russian politics. Strobe Talbott spoke to Ahtisaari. He said that as long as it's not a long-term job, he is on board. (C)

Mr. Steiner: When would you make this public? (C)

Mr. Berger: Kofi still needs to say yes. I think the next step is that Madeleine will ask Fischer to call Kofi. (C)

Mr. Steiner: Actually, Fischer said that Kofi has already said yes. (C)

Mr. Berger: Good, you know more than we do. (C)

The President: I think this has a chance to work. We shouldn't be too concerned about the appearance. (C)

Mr. Steiner: Well, I think the timing is key. (C)

Mr. Berger: It may require more than one mission. Chernomyrdin is anxious to go back with the United Nations. We need someone with a UN hat and NATO heart. (C)

The President: There are two other little things I want to raise with you, Gerhard. First, what do you think will happen with the Greens and Fischer? (C)

Chancellor Schroeder: Just yesterday, I had a talk with senior members of the Greens Party. I told them to do whatever they want, but absolutely not to reduce the scope for action of the government or of Fischer. If they remove their public support, the coalition will be finished. From what I heard, I think they will toe the line. (C)

The President: That is good. (C)

Chancellor Schroeder: Tomorrow, we will increase deployment of troops to Albania to help with the humanitarian effort. But our problem is this requires approval by our parliament, even though it is for a humanitarian purpose. Because they would have to be equipped to defend themselves, and so this can be considered a hostile situation which requires parliamentary approval. (C)

The President: I understand. Now the other matter that I wanted to raise is you're going to China next week. I hope that with Prime Minister Zhu and President Jiang you will reassure

them that we believe Kosovo is an unusual situation, that we are not trying to set a precedent. (S)

Chancellor Schroeder: They have a lot of angst. (S)

The President: Yes, I understand that, but you need to explain that this is like Bosnia. We have to stop it. We want to work with Russia, with them. We have to reassure them. And we also have to reassure them on the larger question that Europe and the United States want a partnership with China, that we are not trying to isolate them. (S)

Chancellor Schroeder: Yes, I think that is right but, of course, explaining to the Chinese the possibilities of coming together more has a price, and that is the more we talk about that and about explaining Kosovo, the less I will be able to talk publicly about human rights. I hope you agree. (S)

The President: Yes, I think you are right. I agree this time. We certainly made the case to them and in public about human rights a lot over the past year. (S)

On the WTO, we had a good agreement with them except for one thing. In the United States, we cannot sell WTO with China unless they agree to still be subject to our anti-dumping laws for non-market economies. They agreed, but for only five years. That is a huge issue for us because even though our economy is strong, Japan, Russia, Brazil and Korea nearly put our steel industry out of business. We are still looking at massive layoffs even with 4 percent unemployment because of dumping. We even have the steel industry threatening to leave my party without a quota system. So we now have to move political support for the WTO and in spite of the espionage stories in the United States. This problem would be a lot worse if China tries to make a better deal with Europe than it has with the United States and then back track on the deal that they made with us. Our best position is to get them in this year and to do that, we need to have the EU not accept anything less than we got. (S)

Mr. Berger: If they fall back off of the deal they made, it will be difficult for us to accept accession to the WTO, and they need consensus to get in. (S)

The President: Zhu and Jiang must know that we want them in this year. We are not trying to isolate them. Sometimes the Chinese make a little thing big and a big thing little. We need to get them to focus on the big picture of getting into the WTO.

I know that the EU likes the deal that they offered us. If we can all stick with that and fix the sunset on dumping, I think we can succeed. (S)

Chancellor Schroeder: Bill, thank you very much. I know that you are running late. I think we now have to go out and say a few things to the press. (U)

The President: Yes, let's do it. (U)

-- End of Conversation --