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THE WHITE HOUSE
WASHINGTON

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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Kazakhstani President
Nazarbayev: Bilateral Relations, Caspian
Energy, Iran (S)

PARTICIPANTS: U.S.

The President
The Vice President
Federico Pena, Secretary of Energy
Strobe Talbott, Acting Secretary of State
Samuel Berger, Assistant to the President
for National Security Affairs
Ambassador A. Elizabeth Jones
James Steinberg, Deputy Assistant to the
President for National Security Affairs
Leon Fuerth, Assistant to the Vice President
for National Security Affairs
Michael Matera, NSC staff (notetaker)
Dimitri Zarechnak (interpreter)

Kazakhstan

President Nazarbayev
Akhmetzhan Yesimov, Deputy Prime Minister
Kasymzhomart Tokayev, Foreign Minister
Bolat Nugaliyev, Ambassador
Nurtay Abykayev, Presidential Chief of Staff

DATE, TIME November 18, 1997, 5:20-6:05 p.m.
AND PLACE: The Oval Office

(Following still photos)

THE PRESIDENT: Welcome. Very nice to see you again. Hillary told me that she had a wonderful visit with you in Almaty, although her visit was shorter than she planned. She will be home in a couple of hours. (U)

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Reason: 1.5 (b), (d)
Declassify On: 11/25/97

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PRESIDENT NAZARBAYEV: Yes, but she still was able to carry out almost her entire planned schedule. I was only sorry that I was not able to welcome her to our home. (U)

THE PRESIDENT: She was very disappointed that her trip was shortened. (U)

PRESIDENT NAZARBAYEV: Thank you very much for the invitation to meet with you here in Washington. I have worked very intensively with the Vice President over the past two days. We have fulfilled our program. I am very grateful to the Vice President. We were able to exchange opinions on many issues. You probably know that we signed all the documents that we had planned to sign. Three years have passed since you and I signed the Charter on Democratic Partnership. The realities of life have now pushed us to sign the Action Program on Economic Partnership. (U)

Over the past three years, Kazakhstan has traveled a long and historic path. We have laid the basis for a market economy. From last year, our economy has begun to grow, with the help of international organizations and of countries, especially the United States. We have worked together to destroy our nuclear missiles. We strongly support nonproliferation and now have the status of a nonnuclear state. The relationship began this way, and now we have built a partnership. We have low inflation, our currency is stable, 70% of property has been privatized thus allowing us to develop our economy. (U)

Kazakhstan is a stable nation despite its multinational nature. We support stability through good relations with Russia. We have reached agreement with China on our borders. We have created the Central Asian Union. All of this is in support of peace and stability, both internally and externally. Stability is important in order to attract foreign companies. Now we have more than 180 American companies active in Kazakhstan. Over \$7 billion has been invested over the past three and a half years - more per capita than any other country in Central Europe or the CIS. Forty percent is U.S. investment. Two large energy contracts were signed today raising our commercial relations to a new level. (U)

U.S. companies have completed a study of Kazakhstan's energy resources. This study indicates that Kazakhstan has the second largest oil reserves in the world after Saudi Arabia. This is the main issue that I would like to discuss with you -- how to transport our oil to world markets. I will now speak only of

U.S. interests, not those of Kazakhstan. (Pointing to a map of the region.) This is the Tenghiz field where Chevron is currently producing oil. All of this area is still open and has reserves of 200 billion barrels of oil. This puts us in second place for oil reserves after Saudi Arabia. We are in fifth place on gas reserves. We have much more oil than Azerbaijan. If Kazakhstan were to ship all its oil to the United States, we would be able to satisfy less than half of your domestic demand. (C)

THE PRESIDENT: That sounds very good. (Laughter) (C)

PRESIDENT NAZARBAYEV: I told you that I would talk of U.S. interests. I want to invite you again to visit Kazakhstan. (Again pointing to the map) This is the pipeline we are building to Russia. The pipeline to China will be completed in 1999. But we need more pipelines. The closest and cheapest one would be through Iran. (C)

VICE PRESIDENT GORE: You said that you would not go in that direction. (C)

THE PRESIDENT: The best route is across the Caspian. (C)

PRESIDENT NAZARBAYEV: I know that. China is ready to finance the pipeline to China. Iran is ready to finance the pipeline through Iran. We could build a pipeline through Afghanistan to Pakistan, but the civil war in Afghanistan prevents this. There is a new proposal for a pipeline across the Caucasus. We are already shipping some oil by tanker across the Caspian and then across the Caucasus to Turkey, Ukraine and the Balkans. Turkmenistan invites us every day to send our gas through a pipeline that would transit Turkmenistan and Iran. But because we are partners with the United States, we want to do everything that you want. We are cutting off all contacts with Iran. But the United States needs to help Turkey to finance the pipeline from Baku to Ceyhan. There has been a lot of talk about this project for two years but so far no results. Secretary Pena told me that a consortium might start working on this project by October 1998. No one will agree to build this pipeline unless Kazakhstan agrees to provide its oil. The center of interest is in Kazakhstan. (C)

I was very grateful to the Vice President who called our relationship a strategic partnership and who considers it important to support our independence and sovereignty. (C)

The President of Turkmenistan is actively working with Iran on gas projects. He is saying that the U.S. President has no objections to a pipeline crossing Iran. (C)

SECRETARY TALBOTT: That is absolutely not the case. (C)

VICE PRESIDENT GORE: We will tell him.

THE PRESIDENT: We have a plan for financing of the trans-Caspian pipeline, don't we? (C)

SECRETARY PENA: Five countries are forming working groups with the goal of by October 1998, working with private companies, to make this project financially possible. (C)

THE PRESIDENT: We will be remiss if we don't find the way to do this. I will take a personal interest in this and make sure that we do our part. The agreements you signed during your visit put our relations on a much better footing. We must build the strategic partnership you talked about. Kazakhstan is critically important to this region and world energy resources. We need this kind of strategic partnership. We want to be good and equal partners in this effort. (C)

PRESIDENT NAZARBAYEV: Thank you, Mr. President. What you have said is fully enough for me to support this project. Secretary Pena will make an announcement of this tomorrow. The main issue is to help Turkey with the financing. (C)

The next issue is one only you can resolve -- that is determining the status of the Caspian. Long ago the Caspian was divided into sectors. Azerbaijan has already de facto begun to take out oil from its sector. This is an international body of water and should be divided on the bottom. Chernomyrdin accepts that we should never be in conflict with Russia, but the question is who is in charge in Russia. (C)

VICE PRESIDENT: There's no question about who is in charge in Kazakhstan, which brings up the question of democratization. (C)

THE PRESIDENT: Sometimes I think that we have too much democracy here. (C)

PRESIDENT NAZARBAYEV: The Vice President and I have already discussed this issue. (C)

THE PRESIDENT: I understand that you gave him a good history lesson. (Laughter) (C)

PRESIDENT NAZARBAYEV: Yes. I quoted the Vice President from your wife's book "It Takes a Village" which says that today's older generation remembers well the time when black Americans weren't permitted to vote, to stay in certain hotels or to dine in certain restaurants. Asian-Americans could not complain about their bosses. Women couldn't work in certain professions or vote. (C)

THE PRESIDENT: You should learn from our mistakes and make more rapid progress. (C)

PRESIDENT NAZARBAYEV: We will have democratic elections for Parliament in 1999. Our next Presidential elections will be completely free, with every citizen being eligible to run. Perhaps I have already have worked for too long? (C)

VICE PRESIDENT GORE: I am afraid that with all this oil you may begin to build palaces like the king in Saudi Arabia. (Laughter) (U)

PRESIDENT NAZARBAYEV: I told the Vice President to be very frank with me as to whether or not he wanted another partner instead of me to work with in Kazakhstan. (C)

THE PRESIDENT: Be careful. If you build all these palaces he will want to be your partner. (Laughter) (C)

PRESIDENT NAZARBAYEV: I am not a monarch. I will not build any palaces. (U)

THE PRESIDENT: The Saudis have built palaces in all parts of the country. Some of them are occupied only two days each year. (U)

PRESIDENT NAZARBAYEV: I was in Oman with its golden palaces that are totally empty. (C)

Getting back to Russia and Iran. They have pursued their own interests on the demarcation issue. No one objects to their companies participating in open tenders as other companies do. But they want to participate without paying in anything to the consortia. We will not allow this. We need your support on our position on Caspian seabed division. (C)

THE PRESIDENT: This is our position. (C)

PRESIDENT NAZARBAYEV: This is the international position according to all international treaties. I also talked to Secretary Pena about an international conference on the Caspian region initiated by the United States so as not to have a scenario of conflict but one of peaceful development. (C)

VICE PRESIDENT GORE: The key dispute is that between Azerbaijan and Turkmenistan. The President saw President Aliyev in August and will see President Niyazov next month. Once this dispute is resolved, the overall issue of demarcation will be resolved. (C)

PRESIDENT NAZARBAYEV: I will also do my part with Presidents Aliyev and Niyazov. (C)

VICE PRESIDENT GORE: Niyazov is not coming next month. He comes next year. (C)

PRESIDENT NAZARBAYEV: Russia made the Azerbaijanis and Turkmenistanis go at each other. First they gave Aliyev a contract and then they took it back. I have talked to both presidents. The current situation is not good for one or the other of them. (C)

THE PRESIDENT: Azerbaijan needs to solve its problems. They will have plenty of money with their oil. They need to resolve their problems with Turkmenistan and Armenia so that they can use their wealth for the benefit of their people. (C)

PRESIDENT NAZARBAYEV: To help resolve their dispute, I recommended to Aliyev that he put up a statue of Niyazov in Azerbaijan. (Laughter) (C)

VICE PRESIDENT GORE: Have you thought of putting up statues of yourself? (C)

PRESIDENT NAZARBAYEV: If I resolve all of my country's problems, I will put up such a statue. Mr. President, I want to sincerely thank you. This has been a very memorable visit for me. We signed excellent documents and agreements. We had open and frank talks. Thank you for your support and your invitation. We also have learned that our issue with Jackson-Vanik will be taken care of. (C)

THE PRESIDENT: This issue will be resolved very soon. (C)

PRESIDENT NAZARBAYEV: One last issue which I wanted to raise is that of uranium. Kazakhstan is a big producer of uranium. We agreed with the Vice President to look at concluding an agreement on uranium. (S)

THE VICE PRESIDENT: We will need to discuss whether or not this is possible and we will communicate with you later on this issue. (S)

PRESIDENT NAZARBAYEV: We would like an agreement for a joint enterprise to extract, develop and market uranium. We are also asking the United States to open its market for our uranium. (S)

I have one last issue. You know that Kazakhstan is bounded by China, Russia and the Islamic world. This reminds me of something Israeli Prime Minister Peres told me once when he was in Almaty. He said that he felt very sorry for me since I open my left eye and see Russia and I open my right eye and see China. I told him that his situation was even worse with Arabs completely surrounding him. (Laughter) (S)

When I talk about strategic partnership with the United States, I mean it seriously. I know that everyone talks about this same thing - Russia and Ukraine. Our desire is based on the multi-billion dollar contracts that we signed today. When I speak of strategic partnership, I mean it. Ours is a most important region that will give the world enormous resources. (S)

THE PRESIDENT: You have it all figured out. (S)

PRESIDENT NAZARBAYEV: I spoke with the Vice President about deciding on our relationship with NATO. He agreed to think about it. (S)

VICE PRESIDENT GORE: We had a very good exercise with Kazakhstan - the CENTRAZBAT peacekeeping exercise. I will ask the advice of this group and will work up some recommendations on this as to whether it makes sense to have a more formal relationship with NATO. I will communicate with you when we have had more time to analyze this question. (S)

THE PRESIDENT: Our security relationship is quite important to us. You are a bulwark against imperialism and radical fundamentalism. You could become one of the two or three largest suppliers of oil. If the pipelines are done properly, with the Caspian being divided clearly -- and we agree on what is a reasonable resolution on this issue -- then you could see

more rapid growth leading to economic prosperity. Your nation and the other nations of Central Asia, with democracy broadly supported, with rising prosperity and with resources that others want to buy, will have close ties to the United States because we have no territorial aspirations in your region. You will have the strategic partnership you desire. Last night I got back late from a trip and was very preoccupied with the Iraqi problem. I knew that you were coming today. I looked at the globe on which I have been following the trip of my wife. I looked at Kazakhstan on the globe and can see what it could be 20, 30, 40 years from now if we do this right. (C)

PRESIDENT NAZARBAYEV: Thank you very much. I know that you are very busy. You have given me much time. I invite you again to come to visit Kazakhstan, perhaps on your way to Asia. You could stop even for a few hours. (C)

VICE PRESIDENT GORE: Americans think that you are the model leader for Kazakhstan, not the president who was featured in the film Air Force One. (Laughter) (C)

THE PRESIDENT: No, he would have won. (Laughter) (C)

PRESIDENT NAZARBAYEV: When they overthrew that dictator, I was the democrat who took over. Would the United States have let me into the country if I had been that dictator? (Laughter) (C)

THE PRESIDENT: By the way, thank you very much for the ceremonial weapons you brought for me. (U)

PRESIDENT NAZARBAYEV: I like hunting very much. (U)

THE PRESIDENT: Next year, we have elections. They will come in very handy. (Laughter) (C)

PRESIDENT NAZARBAYEV: Thank you very much for the book on golf and the golf balls that your wife presented to me from you. (U)

PRESIDENT NAZARBAYEV: I would also like to give you these cufflinks. Our symbol is now the snow leopard. (U)

THE PRESIDENT: You gave me cufflinks last time you were here. I have used them a lot. (U)

PRESIDENT NAZARBAYEV: They are made of Kazakhstani gold. (U)

SECRETARY TALBOTT: That is better than uranium. (U)

PRESIDENT NAZARBAYEV: Mr. Talbott and I talked about how your policy now is not only focused on Russia but also on our part of the world. We are happy with this development. Thank you very much and good-bye. (C)

THE PRESIDENT: Good-bye. (U)

-- End of Conversation --