

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Jacques Chirac of France

PARTICIPANTS: The President
The Vice President
Warren Christopher, Secretary of State
Anthony Lake, Assistant to the President for National Security Affairs
Pamela Harriman, Ambassador to France
Alexander Vershbow, NSC Staff, Notetaker

President Jacques Chirac
Herve de Charette, Minister of Foreign Affairs
Francois Bujon de l'Estang, Ambassador to the U.S.
Jean-David Levitte, Senior Diplomatic Adviser to the President

DATE, TIME February 1, 1996
AND PLACE: Oval Office, 3:25-4:07 p.m.

The President: (After praising Chirac's remarks to the Congress on foreign assistance) We have tried to show the Congress how it can be done within the budget. Foreign assistance provides one of the best returns on our investment. (U)

President Chirac: Next year or the year after, the total development assistance budget of the United States will be the same as that of France. We also have deficits and other difficult problems, but we have made foreign assistance a priority. (U)

The President: The whole U.S. foreign assistance budget was too small even before the cuts by the Congress. You've helped us on the Hill. (C)

President Chirac: Let me thank you very much for the impressive opening ceremony. We had beautiful weather and I just heard from

~~CONFIDENTIAL~~

Reason: 1.5(b,d)
Declassify On: 02/05/06

DECLASSIFIED
E.O. 13526, Sec. 3.5 (b)
White House Guidelines, September 11, 2006
By VZ NARA, Date 4/3/2019
2015-0775-M (1.07)

Paris that the TV coverage was fantastic -- better than ever.
(U)

The Vice President: Is that important for you in France?
(Laughter) (U)

President Chirac: Yes! Since I am not used to good TV coverage, I very much appreciate it. (U)

The President: We wanted this visit to have a good impact for you. (U)

President Chirac: Let me say a few words on the next G-7 Summit. Preparations for the social G-7 meeting at Lille between our ministers of economy, finance and social affairs are going very well. Robert Reich and his French counterpart are fully engaged and agree completely on what should be the agenda and conclusions of the meeting. The Moscow nuclear summit also is moving ahead and I think it will have good results. There is one problem, but I think Russia will make the decision to accede to the Vienna Convention (on Nuclear Liability). ~~(C)~~

Turning to the summit meeting in Lyon, I think we should discuss four issues. First, the European economy is declining; this is happening mainly in Germany but also in France. The situation is of the same type that occurred in Japan. One of the reasons is the low level of the dollar. When you did a revaluation against the yen, this was a great help to the Japanese economy. If Americans understood that the decline of the Japanese economy was not in their interest, then the same should apply to Europe. The value of the dollar is rising now, but not enough. It is in your interest to push the dollar to a level comparable to the European currencies or a little higher. If not, European economies will continue to decline and this will not help your trade situation. Perhaps we can discuss this at the G-7, namely, better management of financial policies among the main countries. ~~(C)~~

The second issue for Lyon is how to improve the efficiency of our development assistance budget. We cannot disengage from assistance to the developing countries after many of them have made good efforts toward democracy and market economies -- steps that have had difficult political consequences for them. In this context, with your agreement I have invited to lunch at Lyon Mr. Wolfensohn, Mr. Camdessus, and UN Secretary General Boutros-Ghali. I want to be sure that there is no doubt about your agreement to this. ~~(C)~~

The President: As long as they are just coming for a lunch, it is okay. ~~(C)~~

President Chirac: Yes, we just have in mind a lunch, for about an hour. We cannot have the seven richest countries in the world get together and just ignore the poor countries. This would be very bad for our image. We don't have to decide things; we can just work out an agenda for the future. But this would be good for the standing of the G-7 countries. One decision should be taken, if possible: solving the problem of the IDA. This is one of the main issues in economic development. All countries but the United States have agreed on replenishment of the IDA's funds. If the United States cannot contribute, the Europeans may agree to do it themselves, but we would be much happier if the U.S. were to join again. The two greatest measures undertaken after World War II were the Marshall Plan and the IDA. Today, the IDA is an absolute necessity. We need to find a solution. ~~(C)~~

The third issue for Lyon is how to do a better job in fighting against drugs, narcotics, organized crime, and terrorism. There are many countries, including Uzbekistan and Tajikistan, where drugs can be produced easily and where the chemical industries are also a problem. We need to be more effective in fighting the spread of drugs and perhaps should combine our efforts. In Europe, the real problem is Holland. Holland today is a country where all the Mafias come together, it is the main platform for the transport and export of drugs. Dutch policies make it much more difficult for the European countries to fight these problems. Helmut Kohl is very angry but we have not succeeded in pressuring the Dutch to solve the problem. In short, we should work at the G-7 on your proposal to be more effective in this area. ~~(C)~~

Fourth is the Middle East. Perhaps we should talk about this later. Things seem to be going well and I am optimistic. We are ready to support the security of the border between Lebanon and Israel -- through the UN, the EU, or alone -- but we will never accept that this security can be provided by Syria. I had long talks with Vice President Khaddam and with Asad and made clear that we will never accept Syrian dominance. There is no reason to accept such a solution. ~~(C)~~

The last problem for the G-7 is how to deal with Russia. The summit will take place between the two ballots of the Russian presidential election. By February 15th, Boris Yeltsin will be a candidate since he has no serious health problem, although he does have real political problems. No one today can say whether he will succeed, but our interest definitely lies in the success of Boris Yeltsin. He is the only one who believes in democracy, who wants peace and is honest. We have to help him as much as possible. The second ballot will be difficult for Yeltsin, but he probably will make it to the second ballot. If so, we need to give him real help in order to show Russian public opinion --

which accuses us of humiliating Russia -- that we have concern for him. If Yeltsin is on the second ballot, we should invite him for the whole G-7 summit. If he is not a candidate, then we will have to try something else. In any event, we don't need to decide until after the first ballot on how we will receive him in Lyon. ~~(C)~~

The President: Let me respond to each of your points. First, I agree we should not decide on the role of the Russians at Lyon until we see the results of the first ballot. I think we have a chance to help Russia at the Moscow Nuclear summit. Your announcement on ending nuclear testing and your commitment to a Comprehensive Test Ban Treaty will really help. Russia has been moving in the right direction on nuclear issues. If we can put together something that shows we are making real progress toward a CTB -- for example, by mentioning it in our speeches in Moscow -- it could turn the summit into a real plus for him. Of course, there are still serious problems with China and India on the CTB. ~~(C)~~

President Chirac: Do you know anything about India? Are they really going to conduct a nuclear test? ~~(C)~~

Secretary Christopher: We believe they will not do so at the present time. ~~(C)~~

President Chirac: That is my feeling as well. (U)

The Vice President: The scandal in the opposition party diminishes the need for the Indians to test right now. ~~(C)~~

The President: I was only making the point that we need do all we can to achieve a broad-based CTB. The Nuclear Safety summit is an opportunity to build up Yeltsin at the same time. ~~(C)~~

President Chirac: It is an opportunity also to work on Chernobyl, since Ukrainian President Kuchma is coming to Moscow. (U)

The President: We are very pleased about that. Turning to crime and drugs, I fully agree on the need to focus the G-7 on these issues. We just appointed General McCaffrey, presently SOUTHCOM Commander, as the new chief of our anti-drug program. He will be working very hard and we want to cooperate with you and the other partners. ~~(C)~~

On development assistance, in terms of the lunch with the leaders of the financial institutions, our people will work out the details. But you should understand that I have given two major speeches on IDA. One was at the IMF annual meeting. (U)

Anthony Lake: The other was to a key domestic audience. (U)

The President: I have made the case on why IDA is so important, but the House of Representatives killed it. I will check with Speaker Gingrich on how much headway you made today with your speech. I believe it is awful that we cannot contribute to IDA. I keep saying that we must keep IDA going. ~~(C)~~

On the value of the dollar, we are trying to get its value up. It is presently too low, and this is not rational. It rose to a small extent and we will keep at it. ~~(C)~~

President Chirac: The dollar is still too low. ~~(C)~~

The President: But the way to increase its value is to work more closely to coordinate our economic strategies. When I took office in January 1993, in tandem with Secretary Christopher and former Treasury Secretary Bentsen, we tried to set up a system in which we could coordinate the economic policies of the U.S., Japan and Europe. I put forward the idea that the U.S. would reduce its deficit and lower its interest rates, thereby sparking growth in that way, and this should drive the dollar up and increase exports. For its part, Germany was to lower the rates of the Bundesbank and accelerate economic growth; other Europeans would do the same. Japan was supposed to invest more public funds, given that it had a zero interest rate and a budget surplus. What happened, however, was that contractionary forces coming into play in Japan immediately afterwards. Their exports declined, financial institutions collapsed, and the political system fell apart. In three years I have had to deal with five different Japanese Prime Ministers. ~~(C)~~

President Chirac: Now there is a good one. ~~(C)~~

The President: Yes, he is very tough, so we need to try again. My point is that the Japanese could not sustain their part of the bargain. Germany began to move cautiously, but they were held back by the burden of integrating East Germany. Things in France were on hold until you were elected. So our efforts in 1993 to coordinate economic policies did not work out as well as we had hoped. ~~(C)~~

I still believe that the only way to get good growth is by coordinating our strategies. The only difference between us is probably on the need for comprehensive coordination. We cannot just control exchange rates without commitments to coordinate growth targets at certain rates of inflation. We know that we cannot grow much if the European economy is flat and the Japanese economy is declining. Japanese has now lost the capacity to grow

from trade and needs to change its policy. The challenge for the EU is how to coordinate all central bank policies. So it is not just a question of the dollar's value but coordination of all the central bank policies to maximize growth with minimum inflation. I hope we can agree that without coordination, we will not get the growth that we want? I think that with the new Japanese Prime Minister, your election and the passage of time in Germany -- plus a UK economy that is doing all right -- we might be able to do what we had hoped to do in 1993. ~~(C)~~

President Chirac: I agree with you completely. This is an issue we can cover at the G-7. (U)

The President: We should do that. (U)

President Chirac: Let me turn to the evolution of the NATO Alliance. I won't take long. I think that we will be able to find an agreement without many difficulties. The Germans, French and British agree on what should be the new Alliance. What I said to the Congress was agreed to by the Germans and British -- we are very close in our views. Previously, we have talked about two pillars. I was one of those who invented that concept, but it was probably not a good idea. ~~(C)~~

Foreign Minister de Charette: The idea of two pillars was a U.S. invention! (U)

President Chirac: It is true that it was first mentioned by John Kennedy, but that was in a different time period. Moreover, even Kennedy could have said some silly things. My point is that two pillars can lead to misunderstandings, just as the enlargement of NATO has led to a big misunderstanding on the part of the Russians. There is nothing worse in diplomacy than a misunderstanding. The problem is how to find a system -- a single system -- that can work in the event that the U.S. does send troops and also if the U.S. does not send troops, because you think it's not worth it. That is the main problem: How can the Alliance work in both situations? If Europeans believe it is necessary to send troops for such a project, and the U.S. does not think so, how can the system work? Europe should have a kind of identity within the Alliance and also take on more of the burden; there is no reason why the U.S. pays more than the Europeans. ~~(C)~~

I believe we can find a solution. I am not worried. We have made a big change, taken a big step, and we are ready to discuss everything. There are no taboos. Some in France are angry with me, but that is no matter; the way is clear and we are ready to discuss everything in the political and military field. ~~(C)~~

The President: I am encouraged by the direction your deliberations are taking. We have never opposed the development of a greater European security identity. I think it can be done within the framework of the Alliance, if we maintain a common structure for planning and execution, if we are in on the planning so we know what is going on. Your general direction is good. Your willingness to become more actively involved in NATO is very positive. Let us keep working through the issues. ~~(C)~~

President Chirac: I think NATO can work very well, as we are seeing in Bosnia today. Of course, it could go badly as we saw in Bosnia a year and half ago. Two or three times, NATO sent planes to drop bombs but the result was 200 or 300 hostages being taken. We have to make the necessary reforms to the Alliance to make it work well. ~~(C)~~

The President: One thing that we need to avoid is another situation in which people who are members of the UN and NATO are operating on the basis of contradictory mandates. Bosnia was unusual in this respect. But if we look at what has happened since then, the planning for IFOR and the ways things are going on the ground -- with the French, British and all the other forces working with us -- it shows how well we can do. ~~(C)~~

President Chirac: A word on Bosnia. I am a little worried about the future. We will have to withdraw our troops in a year, but I am not sure the peace will be maintained after we leave. All of the parties are crazy people and want to fight. Today, perhaps the one group that wants to fight the most is the Bosnians. Izetbegovic is not happy with the results of Dayton. A few hours ago, there was an incident in which Bosnian troops went into a prohibited area and we had to send 20 or 30 planes to force their withdrawal. I am worried about what will happen after withdrawal. If they start fighting again, we shall lose face -- which will have serious political consequences for us. ~~(C)~~

The best way not to avoid, but to decrease the risks is to refrain from sending weapons to the Bosnians. I think that those who need the peace most are the Serbs. They want an economic and political situation which gives priority to economic development. Serbian public opinion has criticized Milosevic and the other apparatchiki a lot. They believe that the country has a certain amount of wealth, yet people are starving. So public opinion among the Serbs is for peace and they want to deal with other problems. In that situation, a policy of sending arms to the Bosnians is very dangerous. I am worried about that. ~~(C)~~

The President: I am also worried about what will happen after we leave. I believe we are dealing with a situation in which the leaders made peace in short order, but the attitudes of the

people will take a longer time to adjust. There are a lot of guns in the country. The Dayton Agreement provides for a 5:2:2 ratio of arms between the parties based on 5 for Serbia, 2 for Croatia and 2 for Bosnia. Within Bosnia the Federation gets two-thirds and the Bosnian-Serbs one-third. The agreement provides for a period of arms control talks which they could bring things down to even lower levels, but failing that they are permitted to arm up to the 5:2:2 ratio. To secure approval of all the parties, especially the Muslims, to the peace agreement, we had to give assurances that we would oversee the process of equipping and training them. In order to get the Senate's approval, we had to reaffirm that commitment. ~~(C)~~

The last time we discussed this with the other parties, we had the impression that they would prefer that the U.S. oversee this effort rather than leaving the Bosnians free to buy arms from the Iranians or other radical states. That is why we continue to look to third parties to take the lead, while trying to avoid an arms explosion. We hope that arms control can lower the ceilings even further. ~~(C)~~

President Chirac: They will buy arms from the Iranians even if you send weapons. ~~(C)~~

The President: We are not selling, but trying to oversee the program. ~~(C)~~

Secretary Christopher: I will tell President Izetbegovic that if they buy from Iran, they will get zero from the West. We want to avoid a disequilibrium because that would lead to a new war. We are trying to help the Bosnians to defend themselves, not to take the offensive. We have exactly the same goal as you, to create a period after one year in which peace will be maintained. Another way in which to ensure this is to bring the benefits of peace to the people and then telling them that there will be no more reconstruction aid if they restart the conflict. In short, we have two levers: there will be no U.S. equipping and training if they receive arms from others; and there will be no international financing of reconstruction if they take offensive action. ~~(C)~~

President Chirac: My feeling -- and maybe I am wrong -- is that the danger today is not from the Serbs but from the Bosnians. The Serbs have no interest in war and their public opinion wouldn't accept it. The leaders don't want war anymore but the situation is completely different with the Bosnians. ~~(C)~~

Secretary Christopher: I don't want to contradict you, Mr. President, but even if what you say may be true for Belgrade, the Bosnian Serbs are waiting to go back to war. That is why we cannot leave a disequilibrium. ~~(C)~~

The President: President Milosevic is trying to help, but there are many other problems. ~~(C)~~

Anthony Lake: The danger is that if we do not get the equilibrium right, any new Muslim-Serb war could bring the Croats back into the war. The Muslims were successful last year only because of Croatian support. The Croats have their own agenda. I would also note that our intelligence shows that Iranian shipments of arms have stopped, so our policy seems to be working. ~~(C)~~

The Vice President: Milosevic speaks of the Bosnian Serbs as you did, as crazy people wanting another fight. ~~(C)~~

Foreign Minister de Charette: I would still maintain that we are having fewer problems with the Bosnian Serbs than with Izetbegovic. ~~(C)~~

The President: That may be true on the ground. You may have a different experience, since your forces are operating in a different sector than ours. But we are also very worried about the Croats. There is the problem of Mostar, although things in Eastern Slavonia seem to be going all right. I will just say that we don't want to violate the letter of the Dayton Agreement. We have to honor the agreement. Anything that we do to demilitarize the situation will be positive. We will tell Milosevic that he could help. The 5:2:2 ratio gives Serbia a big advantage. If he agreed to serious disarmament, he would still maintain a quantitative and qualitative edge, but would lower the ceilings for all the other parties and avoid some of the problems you have cited. ~~(C)~~

Anthony Lake: We only have half an hour to go. I suggest we adjourn to the Cabinet room to continue the discussion with our advisers present. (U)

-- End of Conversation --