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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with President Jacques Chirac of France

PARTICIPANTS: The President
Samuel Berger, Assistant to the President for National Security Affairs
Strobe Talbott, Deputy Secretary of State
James Steinberg, Deputy Assistant to the President for National Security Affairs
Alexander Vershbow, Special Assistant to the President and NSC Senior Director for European Affairs, NSC (Notetaker)

Jacques Chirac, President
Hubert Vedrine, Minister of Foreign Affairs
Jean-David Levitte, Diplomatic Advisor to President
Jacques Blot, MFA Political Director
Francois Delattre, Deputy Diplomatic Advisor to President (Notetaker)

DATE, TIME: July 8, 1997, 4:35-5:00 p.m.
AND PLACE: Palacio de Congressos, Madrid

President Chirac: Two words on the Middle East. I spoke with Arafat four days ago. He was very discouraged and tired. He said one thing that struck me: "The hope of peace is an idea which is dying in the minds of the people." This is true. All of a sudden he took a piece of paper from his pocket and said he would like to submit a last proposal for a compromise with which Mubarak would agree. The proposal was conveyed, and it was naturally sent to the United States immediately. I am very worried. But now it is too late. All the information we have on the situation, especially in Lebanon, is very negative. Those who want to conduct terrorism are getting stronger and stronger.
(G)

The President: Since we spoke last time, when I said we needed to get the parties together to support the peace process, we have been working hard to persuade the Israelis that time is running

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out. We have told them that they need to take unilateral action to put Arafat in a position to deal. We have told the Israelis that if they lose Arafat, they will lose it all. I reported what you said in Denver, as well as our own assessments, that he has become weakened among the Palestinians. This is because some people will say that he tried to cooperate and was punished for it. I suggest that we stay in close touch over the next few days with your representatives and with the EU Special Envoy to see if we can make progress with Netanyahu. If we do, there is a chance that we could get everyone together and create some forward movement. We might be able to have the meeting in Sharm el-sheikh that you suggested when we were in Denver. I told the Israelis that they were putting me in a position in which I have lost all my influence with Europe and with Arafat; all I can do is veto UN resolutions while Israel blocks the peace process. If we see any movement by the Israelis, I will be in touch with you. (S)

Recent small changes in Israel may be the only silver lining. Minister of Defense Mordechai has been allowed to issue more work permits to Palestinians. The numbers are approaching the high-water mark of the period since the Intifada. We are working to persuade the Israelis to take other steps that could get the process back on track. We need to be able to say something to Arafat about what the Israelis have done, and not just tell him to come back to the table and engage on security issues. (S)

President Chirac: What I fear is that Netanyahu has already decided to create a Greater Israel at any cost. He will live with a small Palestinian state, but it will be mere confetti. More and more, the evidence indicates he is determined to keep the bulk of the territory. He will not take into account the Oslo or Taba agreements. If this malice is in fact the case, we will see the terrible provocations. He may think that after that, he will be able to control the Palestinians by force. I hope that this is not his reasoning, but he said things to me that made my suspicions grow. If this is the case, the whole Middle East will explode. I am in constant contact with Arab leaders and they are becoming more and more pessimistic. They may not always tell you what they really think, but their pessimism is rising. (S)

The President: If you go back twenty years, to the Camp David accords and the Israeli-Egyptian peace treaty, you can see a fundamental difference between Likud and Labor. Likud made peace with Egypt, supports the peace agreement with Jordan, and can even contemplate peace with Syria. But Likud has a different attitude toward the Palestinians -- not only toward their territorial aspirations, but their inherent reliability. I tell Netanyahu that he needs to change by undertaking confidence-

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building measures, observing the Hebron agreement, and providing safe passage for the Palestinians to Gaza by opening the airport and the port. These specific steps could be a way to ease differences over the territorial question. Let us see what happens. We have been very blunt with the Israelis. Since I had to veto two resolutions, you can do more than me to get the Arabs back into the process. (S)

President Chirac: One word on another subject. In Denver, we all decided to put pressure on Mr. de Larosiere regarding the nuclear plan for Ukraine. We all agreed to give instructions to our representatives at the EBRD. At the last meeting of the EBRD board, all the representatives pressed Mr. de Larosiere to finalize the financing for the two new nuclear plants. The one exception was the American. There is clearly a problem with someone on your side and you need to talk to him. (S)

Mr. Steinberg: This problem was discussed at Denver in terms of whether the project meets the EBRD environmental and economic criteria. We still need to make sure that it is consistent with the general rules of the EBRD. (S)

President Chirac: That is correct, but we made a political decision, which I conveyed to Mr. de Larosiere. If we do not finance these two plants, especially when the financing with the first one is almost completed, President Kuchma will seize on it as a pretext to postpone the shutdown of Chernobyl. We would bear a huge responsibility if we allowed this to happen. Mr. de Larosiere agreed, but in this case wanted the member states to guarantee the bank's investment. This has already been done. I am not against this, although my Minister of Finance will protest. I am ready to get this done, as is my government. (S)

The President: I will get on it. (S)

President Chirac: We cannot leave the situation as it is. If there is no agreement on Chernobyl, we will all be criticized. (S)

The President: We mentioned in Denver the fact that France, Russia and the United States are all co-chairs of the Minsk Group, and we issued a strong statement. This is a huge issue for the longer term. If we can resolve the Nagorno-Karabakh dispute while you and I are getting along with Yeltsin, it will strengthen our relationship of mutual trust with the Russians. In the U.S., where there are many Armenian-Americans, we have tried to remain balanced between the Armenian and Azeri positions. The Azeris want to cooperate with Russia but also be a little bit independent. To do this, they want to have long-

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term relations with Europe and the U.S. If we work hard, a year or two from now, we might have achieved a solution. (C)

President Chirac: I agree fully. I spoke recently with Boris Yeltsin and he agreed as well. He wants to put strong, friendly pressure on Ter-Petrosyan, who is an old friend of France (I was the President of the committee supporting him while he was in prison). But today I find the Azeri leaders more reasonable. They need to be pushed a little while we look for a means to guarantee movement between Armenia and Nagorno-Karabakh. The Armenians are the harder case, but we can exert friendly pressure on them. If the three co-Presidents of the Minsk Group agree to work in the same direction, there is a good chance of success. (C)

Mr. Berger: President Aliyev will be visiting Washington in a few weeks. We should work together in preparing for that visit. (C)

The President: There have been good discussions between Mr. Levitte and Sandy Berger on France's participation in the NATO integrated military command. I hope we will keep talking and working on this. We will try to work it through. (C)

President Chirac: I spoke with the new Prime Minister and he is quite prepared for us to continue the discussions. At home, our public is very cautious about NATO. This is an issue on which there is a consensus in France. (C)

The President: The European Security and Defense identity is really your idea -- you deserve a lot of the credit. Since it is a French idea, you should be involved in the decisions. I will work hard to resolve this. Our big problem is that we have three huge military assets outside the U.S. -- our troops in Germany, our troops in the Far East, and the Sixth Fleet. But we will keep working to find a solution. (C)

President Chirac: We will continue the discussions. (C)

-- End of Conversation --

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