

THE WHITE HOUSE
WASHINGTON

DECLASSIFIED
PER E.O. 13526
2014-0472-m (1.18)
5/11/2018 KSM

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with Chancellor Schroeder of Germany
(U)

PARTICIPANTS: The President
Chancellor Schroeder

Interpreter: Gisela Marcus

Notetakers: Robin Rickard, Don Cheramie,
Roger Merletti, James Smith

DATE, TIME January 7, 2000, 4:36 - 5:02 p.m., EST
AND PLACE: Oval Office

The President: Hello, Gerhard. (U)

Chancellor Schroeder: Hello, Bill. (U)

The President: How are you? Happy New Year. (U)

Chancellor Schroeder: And a very happy and good new year to you and your family and hearty congratulations for what you are doing now in the Middle East. We are following it with great interest, and I think it is an enormous achievement, having gotten the two parties together. If, and when, we can be helpful at any time, we would be very happy to do so. (U)

The President: Thank you. (U)

Chancellor Schroeder: Could I add something, please? You know, I remember about half a year ago, you told me that in difficult times you have to hold your head up high, and that is what I have done. Now, things are looking pretty good in Germany. I very often thought of what you told me at that time. (U)

The President: Well, I always thought what you were trying to do was right for your country and for the future. Things have a way of working out, as long as people see you have the courage of your convictions and that you believe in yourself. (U)

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Classified by: Robert A. Bradtke
Reason: 1.5(d)
Declassify on: January 10, 2010

Chancellor Schroeder: I have one request and what is involved here is the IMF succession. I had told you in Florence we had an excellent candidate in Koch Weser. My impression is that our candidate is one who deserves support and it is my impression that people in the United States have reservations about him. I wanted to say these reservations are without grounds, they are not justified. He has administrative experience, international experience. He is a very strong candidate and is supported by most Europeans, though some are a little difficult at times. What I am really interested in, however, is your assessment of Mr. Putin because I have to talk to him by phone. (S)

The President: Let me try to deal with all the issues you raised and save Putin until the end. (S)

Chancellor Schroeder: Yes. (U)

The President: First of all, I believe a European should be head of the IMF and after all of these years, I think it would be good if we could get a German candidate. My impression is that Mr. Koch Weser does not yet have the requisite support he needs from Europeans, despite his time at the World Bank and his experience and talents, but I want you to know I have not given my support to any candidate at this time. President Chirac told me a former Prime Minister is interested but I told him I couldn't support anybody now and we need a consensus choice. I think it's important for a European to get it and for reasons of history, it would obviously be good if a German could get it. (S)

Chancellor Schroeder: Well, I'm very pleased to hear what you just said. I think what is going on in France is some kind of an internal power struggle. I am sure he is interested in a candidate of his own. You know, none of these things are done officially. Germany stands by its candidate, because he meets all of the criteria you mentioned in Florence. He is very sensitive vis-à-vis the needs of the Third World and sensitive to the needs of Russia and these are all things Mr. Fabius, great fellow that he is, cannot provide. He does not have that type of experience. (S)

The President: Yes, I think that's a problem for him. But the only point I was going to make is, we need to get a European who has the support of Europe and can muster the support of developing countries. We will work with you on that. I think it's important and I will not -- (S)

Chancellor Schroeder: I perfectly understand and I am aware we must somehow manage to get the support of the rest of the Europeans for our candidate. That is our business. I would be

interested once we have that support in having an open-minded attitude on the part of you and the U.S. government. The rest we have to accomplish on our own and if we can't, too bad for us.

(S)

The President: I'll tell you what I will do. I will definitely not give my support to anyone else now and if there is someone who appeals to me, I still won't do it until I talk to you first.

(S)

Chancellor Schroeder: Thank you with all my heart. (U)

The President: Let me say very briefly about the Middle East peace process, I think we are making some progress. It's difficult, they have had strained relations for a long time, but I think we have a fair chance to get there. (S)

Chancellor Schroeder: I have been following with great seriousness and enormous respect your historic accomplishment.

(S)

The President: Thank you. I think there's a fair chance -- a chance, anyway -- that within 60 days we could see an agreement involving both the Israelis and the Syrians and Palestinians. But if this happens, all of us in the world, including the EU and Japan, will have to help make this work. We are going to put a lot of money into this, but we need a little help because of the cost involved. The Arabs have to see an economic benefit in the near future. (S)

Chancellor Schroeder: We have, for obvious historical reasons among other things, been an advocate for Israel and we have always been their proponent in the EU, and you and I talked about the need to bring Turkey closer to the EU and Germany has done pretty much what you and I talked about at that time. (S)

The President: You've done a wonderful job on that. The Helsinki meeting was terrific and, among other things, it will make Turkey more willing to participate in a solution to the Middle East water problem. (S)

Chancellor Schroeder: I perfectly agree and I think the things that went on there were largely the result of what we had talked about, of our efforts. (S)

The President: The other thing I wanted to say is, I'm looking forward to seeing you a couple of times this year. I guess we haven't settled on a date for the next Third Way event or for my next visit to Germany, but we'll do that as soon as we can. I'm still trying to work out the timetable on my Middle East

obligations and I will be in touch with you as soon as possible on that. (X)

Chancellor Schroeder: I understand perfectly. Everything happening vis-à-vis the Middle East has absolute priority. It's more important than anything else. (X)

The President: I will see you soon. I also wanted to say thank you and how much I admire your leadership on the slave and forced labor issue. I think it's a truly historic achievement and it wouldn't have been possible without your leadership. (X)

Chancellor Schroeder: I did that with all my heart. I'm sure it will be helpful in our relations not just as administrations and not just as governments, but as societies. (X)

The President: Yes. On Putin, I have been with him on a couple of occasions, in Norway and New Zealand at the APEC meeting. He is very smart and very disciplined. On balance, he will be a responsible leader of Russia and a good partner. (X)

Chancellor Schroeder: I quite agree and we have to somehow walk the line. On the one hand, we do not approve of what is happening Chechnya and, on the other, working to maintain the partnership between Russia and Germany and the EU and, of course, the partnership between the U.S. and Russia. I do recall we talked at one point about the special role Germany could play...as far as relations with Russia is concerned, and we are quite willing to take on that special role within the EU. And I think it's important we stay in close touch on the issue of how to deal with the people surrounding Putin, the people in his inner circle. (X)

The President: I do, too. It's important to do two things. First, stress the importance of a good election, and second, manage this Chechnya thing so we say what we believe but don't totally wreck our relationship with him. (X)

Chancellor Schroeder: Precisely. I quite agree, it is going to be difficult but we can do it. (X)

The President: One thing I wanted to say is that Yeltsin, for all his problems, was a true believer in democracy and he also wanted to have Russia's greatness in the future be more related to economic achievements and international cooperative leadership, not a sort of 21st century version of imperialism. (X)

Chancellor Schroeder: That is my impression precisely. (X)

The President: But until Russia's economy improves significantly and the pressure in Chechnya is off and until the raw feelings they have about our actions in the Balkans and NATO expansion have time to heal, we will still have the risk that Russia will do things they shouldn't do in Georgia and Moldova and putting pressure on Kazakhstan and other states that were part of the Soviet Union. So this has to be managed with real sensitivity to get them through this transition period. (Ø)

Chancellor Schroeder: I quite agree and I told Shevardnadze, who by the way had done a great deal furthering German unification, that I would visit Georgia prior to the elections, in a non-provocative, low-key fashion, so as not to irritate the Russians but in a way to show Germany's special interest in Georgia is not directed in any way against the Russians. (Ø)

The President: I think it's good you're taking that line and it's very good you're going there. It will make it obvious to them they have to be careful in dealing with Georgia. You're doing the right thing to take that approach. (Ø)

Chancellor Schroeder: Good. (U)

The President: Thank you, Gerhard. Again, I am thrilled by the resurgence in your popularity. I am not surprised, but I am pleased. Tell Doris I said hello and I will see you soon. (Ø)

Chancellor Schroeder: And best regards to your wife, as well. We are sitting here and delighted with the possibility of her becoming senator from New York. Germans living in America who have the right to vote will be asked by us personally and individually to vote for her. (Ø)

The President: Thank you. (U)

Chancellor Schroeder: May I ask one more thing? (U)

The President: Of course. (U)

Chancellor Schroeder: You know, unfortunately, you can't serve another term once your term has ended, but I would really, really like to stay in close touch. (U)

The President: Thank you. I talked to some of our friends, like Tony Blair, and I hope after I leave office, I can keep this Third Way alive, build it up and keep it going. (U)

Chancellor Schroeder: That is exactly what I would like and I know many people in Europe would like the same thing. (U)

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The President: Thank you. Goodbye. (U)

Chancellor Schroeder: Goodbye. (U)

-- End of Conversation --

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