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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with Chancellor Helmut Kohl of
Germany (U)

PARTICIPANTS: The President
Chancellor Kohl

Interpreter: Gisela Marcuse
Notetakers: Tony Campanella, Doug Bayley,
Cindy Lawrence, Elizabeth Rodgers

DATE, TIME August 30, 1998, 1:43 - 2:03 p.m. EDT
AND PLACE: The Oval Office

The President: Hello. (U)

Chancellor Kohl: Now I can hear you. I hope you are doing well. I've been thinking about you the past couple of days. I am all for you, on your side. Wherever I can help you, I will be happy to do so. (U)

The President: Thank you. Hillary and I just got back from a little holiday. Of course, I'm going to Russia tomorrow. Tell me how you are doing. How is your campaign going? (U)

Chancellor Kohl: I'm in the middle of the campaign. People are predicting different things, but nothing is yet decided. The problem with this campaign is that half of the people have been on vacation. Therefore, the campaign is really only starting this week. I am very content. I think I am doing very well, catching up well in the new states. I'll have to fight day and night. You know how that is, of course, but I enjoy this. I'm going to show them. I feel good about it. Fifty percent of the voters haven't decided, which means the real decisions will be made in the last two or three weeks. We used to have voters who were far more certain. It is a different generation now and they react far more rapidly, but they can go either way. In addition, it is a different national situation. People are concerned about Moscow, terrorism, Kosovo, all of those things.

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If it is okay with you, I wanted to talk about Russia. I spoke at length with Boris today. (C)

The President: Good. (U)

Chancellor Kohl: I have talked to him several times in the last couple of days. We've had several telephone calls. My impression is as follows. Of course, I didn't see him, but his voice sounded good and he reacted well. I think he understands that he must make it clear he is not intending to run again. And I think he understands that Chernomyrdin, from his point of view, would be the best successor. The reason being that Chernomyrdin is basically an economist. He knows a great deal about the world. He is well traveled. He knows a great many business people in the United States, Germany, and in Europe in general. Of course, we can't measure him using the standard of Harvard Business School. And I don't know if it is true, but our press is reporting that he is becoming incredibly rich. But whether it is true or not, we have to live with the people that are there. (C)

I have told Boris it is important that if he wants support from the West -- both moral support and economic support -- then they must stick with reforms, even if it slows things down a bit. I think both he and Chernomyrdin understand this. There is no way of going back, because if they try to undo things they will end up in a terrible, terrible mess. Chernomyrdin is saying that he will be able to agree with the Duma -- and he is not willing to pay any price at all. I think Chernomyrdin is clever -- he will be able to do things smartly. It is important when you meet with Chernomyrdin privately, you need to tell him that if he wants to be president -- you can be very direct, I told him the same thing very clearly -- if he wants to be president, he must be very sure of support from abroad, both moral and financial support, and he will only get this support if he moves forward and not backward. (C)

I also talked with Yeltsin about terrorism. Boris has somehow become obsessed with that. It is very important during your talk that you show him some proof. Apparently he is denying that. It is very important that you manage to persuade him. Once you are back in the country we should talk again and then you can give me some information which I will bring up with him. (C)

On the issue of Kosovo, I was very, very frank with him. I told him things from the German point of view, of course. I told him

that things were a disaster in humanitarian terms. Of course, his excuse is that Milosevic did not keep his promise, but neither did the fanatics in Kosovo. I told him he must be aware that if there is a huge disaster, everyone, including him, will be in a dreadful situation. I pointed out to him that winter is starting in a few weeks. Nobody has exact figures, but more than 100,000 are hiding in the woods. There is a potential for real disaster. And I told him very clearly that I am not willing to have Germany take in another 150,000 refugees. I am being attacked while campaigning because we took in over 300,000 from Bosnia-Herzegovina. It cost more than \$15 billion. I have been standing by that decision. I said we got help after 1945 and now it is our moral duty to help others. And, of course, it is good that over 200,000 will be returning home, but we can't do this every couple of years. You must make clear to him in your conversation that if there is a disaster, we cannot stand by and watch. I see a very small chance of finding some kind of language at the level of the UN that he could not veto, that he would just complain about. I don't know if that is possible, but I'll try. Because if we have to go without the UN, we have to be able to say we tried. I think we really have to talk to him, and we have to be very firm. We must be very, very straightforward. That is what I wanted to tell you. (X)

The President: First of all, I agree with everything you said. Strobe Talbott just got back from Russia. We agree that the first priority is to get Chernomyrdin confirmed. It seems that Yeltsin really wants him to be in charge of a real government. (X)

Chancellor Kohl: I think so too. (X)

The President: While we know that he will have to make some accommodations, he will have to be very careful to stay with reforms and not tilt too far toward the communists. (X)

Chancellor Kohl: Of course. (X)

The President: The real problem is that the Russians are taking their own money out of the country. All the money the IMF put into Russia in the first installment is gone now. Somehow we have to get some clarity in there as quickly as possible -- that they will stay with the reform program -- and get the money flowing in instead of flowing out. (X)

Chancellor Kohl: Yes, precisely. (X)

The President: The other thing I am very concerned about, that we will have to watch closely, is the search for quick money. With the right legal steps, there are opportunities in the energy sector. But aside from that, the real opportunity for quick money is through weapons sales, missile technology, scientists, and information about biological and chemical weapons development. Even if Yeltsin did not approve of such things, there will be pressure, unless we can get the hope of economic recovery back into that system. (S)

Chancellor Kohl: Precisely. (S)

The President: So, I will work on this and will give you a report when it is over, convenient to your campaign schedule. On Kosovo, I think your recent remarks have been very helpful to get Yeltsin to not veto it. I know how hard this is for you, and I appreciate what you've done. I do not want to do or say anything before your election that will make it more difficult for you, but winter is coming on and there will be more refugees, so we'll have to think about it. (S)

Chancellor Kohl: Exactly. (S)

The President: What I would like to do is to coordinate very closely what we do for the next three weeks or so. I am going to have a talk with Boris on Kosovo and terrorism and I think I will be able to convince him that Osama bin Ladin really did the bombings in Africa, and that our evidence is beyond question. (S)

Chancellor Kohl: Excellent. Let's do that; let's plan to talk again next weekend, Saturday or Sunday. (S)

The President: Okay. (U)

Chancellor Kohl: Good luck. (U)

The President: Thank you. (U)

Chancellor Kohl: Goodbye. (U)

The President: Goodbye. (U)

-- End of Conversation --