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THE WHITE HOUSE

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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with German Chancellor Helmut Kohl (U)

PARTICIPANTS: The President
German Chancellor Helmut Kohl
Notetakers: Anthony Gardner, Kevin Wooton,
Katherine O'Loughlin, Deuce Martinez
Interpreter: Harry Obst

DATE, TIME: October 10, 1995, 6:05-6:36 p.m.

AND PLACE: Oval Office

The President: Hello, Helmut? (U)

Chancellor Kohl: Hello, Bill. How are you? (U)

The President: I'm fine. Thank you for taking my call. It's so late there. (U)

Chancellor Kohl: It doesn't matter. I'm happy to hear your voice. Are you doing well? (U)

The President: Yes. We've had a good couple of weeks with Bosnia, the Middle East peace signing and today the President of Mexico was here. They seem to be coming out of their problems. (U)

Chancellor Kohl: That's what I heard about Mexico. It's about time for this to happen. (U)

The President: I have two or three points I wanted to raise with you. Let me go over them and then you can respond. (U)

Chancellor Kohl: Yes, good. (U)

The President: First, I would like to talk to you about the Middle East Development Bank. I think a regional bank is an essential foundation for peace in the Middle East. I appreciate your support for the Amman Economic Summit. It will be a major opportunity to advance such development and continue the process of economic opening begun at Casablanca last year. I believe it

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is important that we are able to announce the establishment of a Middle East Development Bank at the Summit. The bank will fill a niche not now filled by other institutions. The biggest contribution will be mobilizing the private sector. It will send an important signal that the region is open for business. (C)

I was very impressed by the unanimous support for the bank expressed last week by all the regional leaders, Japan and Russia. I know you have heard from Prime Minister Gonzalez of the meeting and the private talk we had. I told him I have a strong personal interest in the bank. I'm committed to ensuring that the costs are kept down and that control is in the hands of the donors. We very much need to reach out to regional parties in their quest for peace. I know there have been differences in the perspectives on the aspects of the bank, but it's too important to let it fail. It's important to the Israelis, Palestinians, Egyptians and Jordanians. It will show the benefits of peace and encourage the Syrians to participate in the peace process. (C)

Your support on this is vital. I ask you to act to ensure EU support for the establishment of the bank at the Amman Summit. I believe that will make a big difference. To date we have not seen enough progress on the peace process. This last agreement should make investors feel secure. If the bank is established, this will send a signal that world governments are serious about long term development in the Middle East. (C)

On another subject, I wanted to thank you for your... (C)

Chancellor Kohl: Maybe we should deal with this subject before moving on. (U)

The President: Yes, I agree. (U)

Chancellor Kohl: First, it is very clear that the peace process doesn't have a chance if there is not economic support. In Europe such an initiative has been debated for a long time as a useful one to develop as a quasi-Marshall Plan for this region. I'm happy about your commitment to the issue and I think it's vital in order to achieve lasting peace in the region. It's not so much whether we are going to do something but how we do it. In Europe, and in Germany especially, there were negative experiences with the European Bank for Reconstruction and Development in London. The experience with the bank was that it crawled along much too slowly and was not effective. I'd like to suggest that I sit down with my experts and find a compromise for an announcement in Amman and will also talk about this with the people in Brussels. Once again, the issue is not whether but

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rather how we do this. I would suggest that Bitterlich talk to Tony Lake about this as well. (C)

The President: Let me say this. I understand your reservations based on your experiences with the European Bank for Reconstruction and Development, but I believe we can learn lessons from it and avoid them in this case. I'd be glad to consider what protections we need, but we need a quick decision so we know where we stand regarding Amman. The people in the region are looking to us. Please talk to your people and get back in touch with us as soon as possible. (C)

Chancellor Kohl: Yes. (U)

The President: On another subject, I wanted to thank you for your continued helicopter support for UNSCOM. I know that Bill Perry discussed this with his German counterpart. I appreciate it. It's especially important given the revelations of the past two months. Thank you and I hope your support can continue. (C)

Chancellor Kohl: You're welcome. (U)

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The President: Yes. I'd also like to talk to you about Bosnia. (C)

Chancellor Kohl: I'd like to hear your views. (C)

The President: They didn't quite agree on a ceasefire, but I believe they will tomorrow. I don't know why; maybe they wanted to fight a little more for a few more inches of land, but our people expect it tomorrow. I appreciate the work of your Contact Group representative in supporting the efforts of Dick Holbrooke and his team in achieving the result. I'm encouraged by the agreement between the Croatian Government and the local Serbs with the Eastern Slavonia problem. I know there is a long way to go, but that could eliminate a lot of problems. (C)

Looking ahead, I see a few problems. First, there is a possibility of problems with Tudjman and keeping the Federation together. I know you weighed in with him and I'm interested to hear your comments. The second problem is how to include the Russians in the peace implementation force. I'm prepared to be flexible, but I don't see how I could compromise on single NATO control. That is essential for Congressional support. We've seen in the past that we need central control. I'd be interested in your views on this. (C)

Chancellor Kohl: I think the second point is most important for the next six months. I really think it will only endure if the Russians are brought into the equation. The Russian elections make it more difficult. The Duma elections in December are not so important, but they will send a clear signal for the June Presidential elections. Those elections are charged with emotional content. They are a real test for the future of Russia. If Russian troops are not involved in the peace force, then it is possible that the Serbs in Belgrade will make trouble. That's one side. The other side is that you may have to do hard daily work with Congress to convince them we need clear command and control lines, which are important from the side of NATO. Let me tell you something unorthodox. When will you see Boris Yeltsin again? (C)

The President: In New York on the 23rd of October. (C)

Chancellor Kohl: Maybe you should address this issue with him directly. Ask him whether he could bring into this command and control structure someone important -- an important personal representative. I think it's important that the representative is at a high enough level that he's a personal representative of Yeltsin. It's important to prevent mistrust creeping up. (C)

The President: I agree. I expect a proposal for discussions with him in New York, but it will not be easy. He's hurt if the Russians are under NATO command and we're hurt if there are two military commands. We need to bridge the gap. (C)

Chancellor Kohl: Of course it will be tough, but it must be tried. I think we have to develop better ideas than have been put on the table by the military. It's important to see what type of people he puts forward -- flexible or rigid. He also has a public relations problem: if he doesn't send soldiers, he will not get good press. If you as the President of the U.S. make him a fair offer, it will be difficult for him to turn it down. When you've worked out what to do, I'd be willing to address this issue with Yeltsin before you meet. (C)

The President: That's great. (U)

Chancellor Kohl: Back to Tadjman. It's most important that when we talk to him our language be absolutely clear. That's directed at you and me because we're the ones who can influence him most if we're in concert. I'd be happy to call or meet with him. That would give me a chance to have a strong influence over him. The problem for him is that he needs to be seen coming out of this affair as victorious. It's a psychological thing. Deep in his head is buried the idea that he can get more. We have to tell him the limits of what he can expect. (C)

The President: I agree. Let me do some work on the Russia issue before Boris comes and get back with you. Thank you very much. (C)

Chancellor Kohl: I have a brief question. Tony Lake has already been informed. My deputy Wolfgang Schaeuble will visit Washington on November 13 and 14. I'd be grateful if you could find a few minutes to meet with him when he visits the White House. (C)

The President: Yes, Tony Lake sent me a note on this. I'll do my best to see him when he's here. (C)

Chancellor Kohl: Thank you very much. Best wishes for the next few days. I think you did marvelously well on Bosnia and you'll be paid back for it. Don't let others scare you. (C)

The President: Thank you. I'm trying to make good on your bet. (C)

Chancellor Kohl: Give my best to Hillary. Good-bye. (U)

The President: Good-bye, Helmut. (U)

-- End of Conversation --