

THE WHITE HOUSE

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MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with German Chancellor Schroeder (U)

PARTICIPANTS: The President
Chancellor Gerhard Schroeder

Interpreter: Gisela Marcuse
Notetakers: Robin Rickard, Liz Rogers,
James Smith, Roger Merletti, Nancy
McEldowney

DATE, TIME November 18, 1998, 11:19 - 11:35 a.m. EST
AND PLACE: Air Force One

The President: Hello, Gerhard. (U)

Chancellor Schroeder: Yes, hello, Mr. President. (U)

The President: It's nice to hear your voice. I'm on an
airplane. (U)

Chancellor Schroeder: It's impossible to understand you.
Hello? (U)

The President: I can hear you. Please go ahead. (U)

Chancellor Schroeder: I would like to talk about my recent trip
to Moscow. Can you hear me, Mr. President? (U)

The President: Yes, I hear you. Please go on. (U)

Chancellor Schroeder: I want to tell you about my meetings with
Yeltsin, Primakov, and all factions of the Duma. (C)

The President: Gerhard, I am sorry but I can't hear you or the
translator very well. (U)

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Chancellor Schroeder: I will give the translator my receiver.
(U)

The President: Yes, thanks very much. (U)

Chancellor Schroeder: With regard to Boris Yeltsin, I am concerned that he is not in very good shape. Obviously in public, I offered a different characterization. On Primakov, it is clear there is currently no alternative; we must all work with him. I also talked to leaders of the various political factions in the Duma as well as the governors of the provinces. My impression is that we've got to talk to everyone possible in order to stabilize the situation. (C)

Now, turning to the economic situation, I believe it is really dramatic. With Primakov, I talked about the possibility of making the conditions of aid compatible with the IMF conditions. They place a great deal of importance on the outside assistance and are looking to the IMF with great hopes. Primakov has presented an economic program with some realistic elements. We've agreed that Russian and German experts will work together to try to make the Russian plan compatible with IMF. (C)

I have also called upon German private investors to stay in Russia and I would be grateful if American investors would do the same. My impression is that in the coming winter, there could be a severe shortage of supplies. In this case, it will be important to have aid from the EU. But it is most important to have a sound Russian economic program that is compatible with the IMF and the World Bank. I hope we will have made some good headway on this by the time the G-7 meets in Cologne next year. (C)

One foreign policy point: Russia is worried by the public statements about the toppling of Saddam Hussein. Though they agree with our stress on compliance, these statements make them uncomfortable. (C)

The President: Thank you very much. First, let me say I completely agree with your decision. We have to meet all Russian leaders and work with Primakov. Secondly, I agree that any financial help should be consistent with the IMF plan. I think we need to work toward three things. First, we need to provide more support through the IMF as soon as Russia works out a credible program, but they have to get a realistic budget in place. Second, we need to hold open the prospect of comprehensive debt relief that includes public and private

creditors once they have a credible reform program. Third, we must identify all the ways to provide constructive assistance now: in food aid, project loans and things of that kind. I agree we need to help them this winter. When we meet in Cologne, we need to be prepared to step up our efforts if they do the things they need to do. I met with American investors there while I was in Russia, and I think they'll get a lot more involved if the Russians would just change their banking laws and protect the integrity of investments. We can turn this around if Primakov can get the Duma to do the right things. I heard very, very good things about your trip. You did it very well and this all seems very helpful. (U)

Chancellor Schroeder: Thank you. (U)

The President: The only other issue I wanted to mention is Kosovo. I want to thank you for your cabinet's decision on deployments. (U)

Chancellor Schroeder: I thank you. We were glad to do it. (U)

The President: And I'm sorry about the bad telephone connection; I'm in the air. (U)

Chancellor Schroeder: When are you not in the air? (U)

The President: Good question. Far too often. Thank you so much. Goodbye. (U)

Chancellor Schroeder: Goodbye. (U)

-- End of Conversation --