

THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telephone Conversation with Russian
President Boris Yeltsin (C)

PARTICIPANTS: The President
President Boris Yeltsin

Interpreter: Kyrill Borissow
Notetaker: Cindy Lawrence

DATE, TIME May 28, 1998, 11:53 a.m. - 12:14 p.m. EDT,
AND PLACE: Oval Office

THE PRESIDENT: Hello, Boris? (U)

PRESIDENT YELTSIN: Bill, hello. (U)

THE PRESIDENT: Hello, Boris. I'm glad you called. (U)

PRESIDENT YELTSIN: I have a couple of questions to ask you. The first question is related to Pakistan. We have to agree with you on how to react. And the second question I would like to ask you is the following: I would like you to support me with regard to financial issues. I would like to ask you, Bill, one way or another to state that the Russian leadership and government and president will handle the situation, which has now developed, and that you are sure of that. And second, I would like you to address your investors who work here in Russia so that they will not panic and do not leave Russia with their investments, that they do not take away their investments, as we have the necessary reserves. And there is no catastrophic situation here. We need your support. People in the world must know that you support us and that you are sure that Russia will handle the situation, that everything will be in order. Well, the situation is difficult. Did you get me, Bill? (C)

THE PRESIDENT: Yes, I hear you. Let me just briefly say something about Pakistan. Since they have done these tests, obviously you and I have to redouble our efforts to stop the

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nuclear arms race on the Indian subcontinent and we have to work together. Just a few moments ago I was told that Primakov and Madeleine Albright agreed that there should be a special security meeting on South Asia among the permanent members of the UN Security Council, all five of us, at the ministerial level. So that is very good news. (✓)

PRESIDENT YELTSIN: Yes, I know about that. (✓)

THE PRESIDENT: That's good. I think the main problem in the short run is that now that they have completed these tests, both India and Pakistan may be planning to conduct tests of longer-range missiles. We should urge both India and Pakistan not to go forward and not to do anything to alarm the other side. I have talked to Sharif five times, including twice in the last 15 hours, and he has told me India's threatening rhetoric has intensified the pressure on Pakistan to do what it is doing, so I think we have to work hard to tone down what the Indians are saying.

I hope you can convince Prime Minister Vajpayee to have his security forces back off in Kashmir. If we could get them to pull back from the line of control, it would send a signal to Pakistan that it could reduce the posture of its forces there. In any case, we have got to work very closely on this and be saying the same thing. And we have to try to get the Chinese to be more vocal in saying the same thing. That is why I think it is so important to have the P-5 meeting on this. (✓)

PRESIDENT YELTSIN: I agree with you, and I am prepared to act in unison with you. (✓)

THE PRESIDENT: That's great. Now on your economic issue, let me say first of all, I have supported all your efforts at reform since 1993 and I will continue to do so. But I think even more important than what I say to reassure investors is what you say to support your excellent economic team and their reform efforts. Your public statement of support today was very, very good and I hope you'll continue that. (✓)

PRESIDENT YELTSIN: Thank you. (U)

THE PRESIDENT: Meanwhile, I have asked our Treasury Secretary Bob Rubin and his team to work with the IMF to do everything we can to support the agreement to send a clear signal to markets that Russia has a reform strategy that will work and will be implemented if you and the IMF are ready. I hope you can

announce agreement with the IMF this week. You know how these markets are, they go up and down in a week and you don't have time to react. We have pushed hard for the positive statements you have seen from the IMF in the last few days to calm down the markets and reassure investors. We will keep doing that. Also, if there's anything else we can do to help your team with practical aspects of your reform agenda, on tax administration reform for example, we are glad to do that. (Ø)

Let me say again, as you understand, part of this is an economic struggle, part of it is purely psychological and I am ready to weigh in personally to help, but we have got to have evidence to support our assertions that Russia is continuing to make progress on reforms. Then we can calm investors because they know what a great opportunity there is there. In the end, I think financial investors will respond if we can get a quick announcement of an IMF program and it's obvious that you are implementing it, and that you are working hard on tax collection. The other thing that would be very helpful is if the Duma would pass the tax code in this session. (Ø)

This past day or so should give you the leverage you need. Meanwhile, I will help in every way I can, and we will work at this together. You have a great team and your personal support for them will do more to calm the markets than anything else. And I will give a very positive statement of this conversation here, and we'll just keep working on it. (Ø)

PRESIDENT YELTSIN: Yes. Good, Bill. Thank you for this support, and that you understood the problem we are facing. That is the way we are going to act. We drew up the program in such a way that the IMF would trust us. All the more with your support. And with regard to taxes I held two meetings today and we intend to tighten our tax policy and also to strengthen our tax service. I believe we understood each other with regard to Pakistan and India and also on economic matters. We will work together because we are convinced when we work together we yield results, we have results. Do you agree with me? (Ø)

THE PRESIDENT: Yes, I do. I think what you did with your team today was very good. You have to do it repeatedly. Emphasize you have to have results and are determined to get them. This is not just words, this is action, then I think we will be successful. (Ø)

PRESIDENT YELTSIN: Good, Bill. I am very glad we have such a position with you, and let us act jointly. Well, I embrace you. All the best to you. (Ø)

THE PRESIDENT: Thank you, Boris. Hang in there. (U)

PRESIDENT YELTSIN: Please give my regards to Hillary; don't forget to convey my regards. (U)

THE PRESIDENT: I will. We were really glad to see you and Naina in Birmingham, and I will be following this every day. If you want to call again you can do so. (Ø)

PRESIDENT YELTSIN: I will tell that to Naina. I hug you. Goodbye. (U)

THE PRESIDENT: Goodbye. (U)

-- End of Conversation --