
Clinton Presidential Records Mandatory Declassification Review

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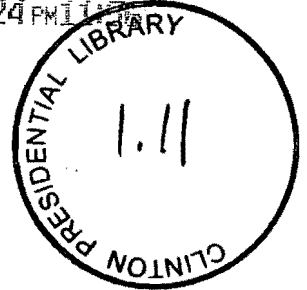
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THE WHITE HOUSE

WASHINGTON

August 24, 1998

98 AUG 24 PM 1:11



INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: SAMUEL BERGER *SB*
GENE SPERLING *GS*

SUBJECT: Telephone Call to Russian President Yeltsin

The main purpose of your call is to energize Yeltsin about next week's meetings and to encourage him to see Strobe to discuss our objectives in more detail. You should also sound him out on his thinking behind Sunday's cabinet change and make sure he is focused on financial realities. If not handled well, events in the next 10 days could lead to a run on the banks, foreign investor panic and a financial meltdown. You should also review the circumstances surrounding our strikes against Osama bin Ladin.

Shuffling the Deck -- or Moving the Deck Chairs? The government shake-up is an enormously risky move under the current circumstances. Putting a new government in place will take time. Treasury, foreign investors, and the international financial institutions are worried that delicate problems such as the debt restructuring, currency stability and the banking crisis will exceed the new team's capabilities or, more importantly, their willingness to make tough political choices. Chernomyrdin assured the Vice President that he would press ahead with the reform agenda. His statements and behavior on Monday suggested that he is reserving a lot of room for maneuver on what that means. After initial delays, it appears he will announce the government's debt restructuring plans on Tuesday.

Russia also faces a smoldering domestic banking crisis that intensifies each day as the oligarchs press for a bailout. Some relief for the banking sector is needed. But taken to an extreme, the kind of liquidity injection the oligarchs want could set off uncontrolled inflation and a currency collapse. We do not know if Yeltsin is aware of or understands the decisions his government must take and the consequences they

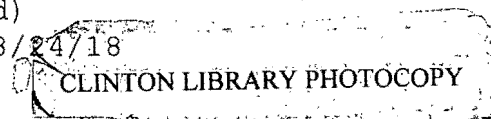
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Reason: 1.5 (c) (d)

Declassify on: 08/24/18

cc: Vice President

Chief of Staff
DECLASSIFIED IN PART
PER E.O. 13526



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entail. Without getting into details, you should alert him to the danger.

Why Chernomyrdin? What's Next? A key concern is what kind of influence a small group of oligarchs will have. P1/(b)(1)

P1/(b)(1)

P1/(b)(1) Chernomyrdin told the Vice President on Sunday that Yeltsin had offered him broad powers to confront the economic crisis. That could mean a relatively free hand on personnel, and it could cause problems. Nemtsov has resigned, and macroeconomic czar Boris Fedorov has had a difficult relationship with Chernomyrdin, even though Chubays suggested that it may be improving. Chubays does not expect to join the government.

Teeing Up the Summit. Strobe arrives in Moscow on Wednesday. You should encourage Yeltsin to see him. Our goal is to persuade Yeltsin and his advisors that Russia's political and economic uncertainties make it all the more important to achieve maximum outcomes on foreign policy issues at the summit. Your willingness to hold the summit at this difficult time for Russia is a sign of your support. You should briefly confirm progress on two security issues -- sharing early warning data on ballistic missile launches and disposition of excess weapons plutonium. To demonstrate the relationship can produce concrete results, you should press for progress on foreign policy issues -- Iran, Iraq and Kosovo -- and tell him that Strobe will want to talk about these in more detail later this week.

Osama bin Ladin. Yeltsin said on Friday that he is "outraged and condemns the bombing of Afghanistan and Sudan by the Americans." If we cannot get this issue behind us, it will become yet another point of controversy at the summit. You should explain to Yeltsin that you acted because American lives were at stake, the evidence was conclusive and there was no other choice. You should stress that we have worked together on the problem of terrorism and share a common view of the threat to our people. It would be helpful to get Yeltsin's agreement to state publicly that he now understands the rationale for our actions.

Attachment

Tab A Points to be Made