
Clinton Presidential Records Mandatory Declassification Review

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TRANSLATED_ATTACHMENT Hashimoto 1020.doc
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MEMORANDUM OF TELEPHONE CONVERSATION

PARTICIPANTS: The President
Prime Minister Hashimoto of Japan

LOCATION: Residence

NOTE TAKERS: Doug Mueller, Bonnie Glick, Tom Crowell,
Mariana Papadimitriou, Lyle
Harrison, Jim Smith, David Sandalow, Jack Pritchard

DATE/TIME: Monday, 20 October 1997, 2029-2056 EDT

The President: Hello, Ryu?

Prime Minister Hashimoto: How are you doing?

The President: I'm doing fine. I just got back from an interesting trip
to
South America.

Prime Minister Hashimoto: Have you recovered from your travels?

The President: Almost.

Prime Minister Hashimoto: How have you been coping with the
vacancy in your
heart with your daughter leaving for school?

The President: I just wait for the weekly phone call.

Prime Minister Hashimoto: We have the same situation here.

The President: And sometimes I don't wait for the weekly call,
sometimes I call
in the middle of the week. And I would be e-mailing her every day,
but her
e-mail has been breaking down.

Prime Minister Hashimoto: Well, you really have to hear the voice,
rather than
contacting over e-mail. That is why I am calling so much to New
York.

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2013-0804-M

05/26/16 KDE

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The President: How are you doing? How are things going for you?

Prime Minister Hashimoto: Well, I'm in the middle of a parliamentary session having a hard time coping with structural reform of the Japanese fiscal situation. In the context of COP-3, I'm having a tough time with NGO's also.

The President: Well, I've been trying to keep up with it. Reform is a thankless task. I just want to encourage you that any time you want to reform, all the entrenched forces are against you and the others say you aren't doing enough.

Prime Minister Hashimoto: Thank you.

The President: But you've given Japan strong leadership and I believe you will prevail. You'll have up and downs, but you have history on your side, and I believe you will prevail.

Prime Minister Hashimoto: Indeed.

The President: I wanted to talk to you about the Kyoto Conference on Climate Change. I know that you have worked very hard to find a position that we can all agree with, and the Europeans have been a problem. For us to even get back to 1990 levels by 2010 will require us to cut our emissions by 28% which is far more than any of them will have to do. And I will have to proceed primarily with tax incentives and regulatory reform and a partnership with our private sector because the Republican majority in my Congress has not accepted the dimension of this and would not consider new taxes to move toward this goal. Nonetheless, we believe we can do quite a bit and we are committed to an aggressive effort, but I wanted to ask you for help on two points:

First of all, I have no chance of building broad support here unless there is some participation by the developing countries. If we cut our

emissions and they do nothing, by the year 2030 there will be nothing to show because China will be the biggest greenhouse gas emitter and we will start losing ground again. However, I don't believe it's right to ask them to adopt our targets or to sacrifice economic growth in the next few years, but I do think they should be asked to participate to allow joint participation. Japan, the U.S., and the EU could invest in clean energy so developed countries can invest technology in developing countries so they can grow as rapidly as they would anyway, but in a better manner, so we can share credit for joint progress. We will still have to do a lot on our own, but having joint projects with the developing countries and with the United States will help. I will say that Argentina supported this approach and agreed to work at getting other countries to help as well.

The second thing is to try to get binding targets that I have some chance of selling here in the United States. I don't think I'll be able to do much better than going back to 1990 levels by 2010, again, that would require a cut of 28%...I just don't believe I can get any support from the people who will have to do the implementing for anything stronger than that. I have been in touch with Tony Blair and Jean Chretien, and I'm supposed to talk to Helmut Kohl tomorrow. I'm going to try to get the Europeans to change their position tomorrow. There is substantial feeling in Europe that we ought to have the option of doing joint implementation with the developing countries. I might be able to get them to do more than Japan was able to earlier. We ought to try to get an agreement in Kyoto. They do not want it to be a case of political finger pointing.

Anyway, I wanted to call you because I'm hoping that you can work behind the scenes to bring us together to a point we can all agree to, and when I announce our position, which I will have to do in the next few days, as all our

negotiators are now in Bonn working on the details, I'm hoping Japan will be able to announce that the parties are working together. If you can make some kind of positive comment, it will allow us to keep working to hammer some of this out.

Prime Minister Hashimoto: I thank you very much for giving me the prior notification of the proposal you are making, and let me commend you for the serious effort you are making in this regard. We have been working to make sure that we will be able to initiate the negotiation for the obligation for developing countries as soon as possible after Kyoto. I do believe we have a good understanding of the position you are in. Quite frankly, if you are to announce your proposal to maintain the 1990 level by 2010, we will have no choice but to express our impression that further reduction levels on your part might be possible. We would very much like to be able to cooperate with the U.S. in this regard and hope in your announcement, you will leave some room for modification on this part. When I visited China in December, I had a discussion with Jiang Zemin over environmental issues in China, and we did take on the issue of technology transfer that you had referred to. I think it would be very important to listen to what Jiang Zemin has to say when he comes to the U.S. to get an idea of where developing countries stand. We are expecting Premier Li Peng in Japan in November, and I will make sure we have an exchange of views on this also. Well, I understand that you have already called Jean Chretien and Tony Blair. The call that you are going to make to Helmut Kohl I was thinking of suggesting to you. Referring to our discussion in Denver, I think it is crucial to persuade Chancellor Kohl over whatever decision we are going to make. In any case, I would like to learn more about the details of the proposal, and I'm sure that before you go public on this, we will hear from your officials the concrete

account of what you are proposing. We have been consistent in maintaining it is important for Japan to coordinate with the United States, and our position has not changed.

The President: Thank you. Let me say what I am trying to do. The proposal I am working on has support of the Environmental Defense Fund which is a very big environmental group in America, our two biggest coal burning utilities, and the natural gas industry and many other businesses, but my position is opposed by the automobile industry, labor, and coal and oil industries, and also by the more liberal environmental groups, but I have a coalition of the center here. If I have to move further, I'll lose my business support from the people who have to go out and do this, and their willingness to participate in a very ambitious implementation plan immediately after Kyoto and before this treaty even gets ratified. We should have done more earlier, I know, but we were preoccupied with the recession in the 1990s. I have got the country ready now, but it is important to have a broad coalition of support, and I don't want to be in a position in which I will lose the support of the people I need to implement this.

Prime Minister Hashimoto: Thank you very much for your call. I have to run, I have an audience with the Emperor and I think we have to talk about this issue several times before the summit.

The President: I agree with that.

Prime Minister Hashimoto: Give my regards to Hillary.

The President: OK, I will.

Prime Minister Hashimoto: I will not mention the fact that we talked on the phone to the public.

The President: I look forward to seeing you soon.

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POINTS TO BE MADE FOR MEETING WITH
BRITISH PRIME MINISTER TONY BLAIR

Restricted Oval Dining Room Session

- You carry lot of weight at this time, beyond Britain: head of EU and chair of G-8. Optimal situation for us to work on Iraq, Iran, Bosnia, and strengthening U.S.-European trade and diplomacy as well as shared global leadership in dealing with the financial crisis, development and climate change.

Iraq

- Iraq is our most serious challenge. Efforts to rally key countries to meet challenge are bearing fruit.
- French public line has improved; Foreign Minister Vedrine indicated France has not ruled out use of force.
- My call to Chirac was less clear: He is very guarded about use of force, told me he opposes putting material breach in any resolution unless Russians agree. But we understand he later asked Yeltsin to consider material breach to help prevent use of force.
- Understand your people are sharing new resolution with French. Want to be clear that we feel it will only have value if it includes material breach and we are assured it will succeed. Skeptical.
- With Crown Prince Abdullah, Madeleine made some progress. The Saudi government needs to reflect on this for the next week before we will know how supportive they will be publicly.
- With the Russian, French, and Turkish emissaries in Baghdad, we need to guard against accepting half a loaf on access. Want to be clear about our redlines: UNSCOM must control any inspections at these sites, and UNSCOM must be able to inspect these sites adequately and without harmful limitations.
- We cannot emerge from this crisis with a weaker UNSCOM. Only acceptable outcome is a weaker Saddam.
- We can consider transitioning the nuclear file to monitoring, but only when IAEA recommends that and after Iraq has retired to an acceptable level of compliance with UNSCOM an IAEA.

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Reason: 1.5(d)

Declassify on: OADR/08

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- On use of force, you and I are in synch. We are near a decision on additional aircraft and other forces necessary to be moved to the region. Your and our military people need to stay in close touch to work out potential operations.

Iran and Sanctions

- We value UK's activism on Iran issues. Welcome recent overtures from Khatami but need to see action.
- Know that Iran/ILSA is divisive for EU. I have to implement law or risk more Congressional action.
- Haven't made "sanctionability" determination of Total South Pars deal yet, but pretty clear that the deal falls under the statute. Finding "sanctionability" does not require sanctions, but to avoid them, we must have concrete steps to point to.
- Welcome your efforts to help reach EU consensus on additional measures to tighten nonproliferation controls and anti-terrorism measures.
- Maintain pressure on Yeltsin regarding missile technology transfers. Am encouraged by Russian responses to our latest round of talks, indications government more active; taking concrete steps to stop aid to Iran - but much still to do.
- Seek support on East-West Caspian energy corridor. Multiple routes reduce vulnerability.
- **If raised:** Progress on confiscated property disciplines, a key element of April 11 Understanding on Helms-Burton, should not be linked to ILSA. We're ready to work on both.

Northern Ireland

- Bloody Sunday inquiry was right and courageous thing to do.
- Progress on equality, rights important for Nationalist community. An opportunity for a "win" by the Nationalists which doesn't come at expense of Unionists.
- Share worries over violence, possible IRA reaction. Gerry Adams here in couple of weeks; will make clear we expect IRA to maintain cease-fire or serious consequences to our dealings with them. Same message to loyalists.

- Lancaster House talks made progress, but Trimble's behavior troubling. Can parties get to "yes" without Trimble engaging directly with Adams? Can we help with this?

Bosnia/SFOR

- New pro-Dayton Government in Republika Srpska will make big difference. Appreciate EU efforts to inject quick assistance for Dodik.
- Preference for follow-on force is a mission of deterrence with support for civilian implementation.
- Troop size should be similar to that of SFOR, but domestic demands require modest decline in our percentage -- from quarter to a fifth. We will still be largest contributor. Need you to stay at current levels.

Cabinet Room Session

G-8 Birmingham Summit: Jobs, Crime, Global Economic Issues

- Appreciate your support at Denver and Kyoto. Want to work with you to achieve our mutual goals in Birmingham.
- We should use Birmingham to demonstrate that high-level meetings make real difference to our citizens. Support your efforts to promote more meaningful discussion among leaders on a few critical topics.
- Look forward to engaging with you and others at Birmingham on issues of employability. We have continued advancing our agenda of preparing Americans for workforce of 21st century, addressing challenges of work and family, and easing transitions between jobs. Interesting to compare experiences on welfare to work and other reemployment policies.
- Strongly support UK efforts to coordinate G-8 and EU anti-crime initiatives. Making progress on our Denver promises will require your leadership with the Europeans.
- Agree with you that while we must spend time on emerging market economy issues, we cannot neglect development issues of concern to poorest countries -- such as debt, infectious diseases, etc.

- Also must reinforce open trade message to countries likely to have protectionist responses to the financial crisis.
- Understand importance of meeting U.S. funding commitments for IMF; emphasized in SOU; am seeking Congress' action early this year.
- Our cooperation on addressing Asia financial crisis has been essential to success at stabilizing region and preventing contagion so far. Situation remains serious, meriting continued cooperative efforts.
- Agree Birmingham provides good opportunity for G-7 to focus both on managing this crisis and preventing future crises. In the intervening months, should be working to build strong agreement around four principles:
 - Countries must take responsibility for their own economic reforms. Critical to restoring investor confidence.
 - Need strong IMF capable of providing resources to those countries that demonstrate serious commitment to reform. We will do our part by seeking early Congressional action on U.S. funding commitments.
 - Other major-economic players also have responsibilities: Japan to strengthen banking system and stimulate domestic growth; United States and Europe to encourage stable growth and continued openness; and China to maintain stable currency and open its market.
 - Need to build on our efforts from Halifax to strengthen international financial system and adapt international financial institutions to address exigencies of 21st century capital markets.
- Climate change: Kyoto was an historic step. Appreciate John Prescott's efforts there. Next challenge is encouraging meaningful participation by developing countries. Won't get ratification here without movement there. Fits nicely with the development theme - Kyoto Clean Energy Mechanism can lead to technology transfers that will help developing countries grow and fight carbon emissions.

G-8 and U.S.-EU Cooperation on Law Enforcement, Narcotics

- Need to show our publics that we have a transnational strategy to fight this growing transnational threat. Also critical to promoting stability in young democracies.
- Rest of world looks to G-8 for leadership on global issues. Birmingham Summit is key opportunity to show progress on ambitious counter-crime agenda set out in Denver. Need to demonstrate progress on high-tech crime, financial crime, asset forfeiture, firearm trafficking, and environmental crime. Also, important that we demonstrate real action against organized crime groups -- in Caribbean, in West Africa, and in Eastern Europe.
- Hope that you will use EU presidency to urge their greater cooperation in G-8 efforts. Also seek to expand relationship with EU on law enforcement and narcotics issues.
- Your help appreciated to assure cooperation in countering narcotics trafficking through Caribbean; also want to work with you on drugs and cartels in the Andean Region.
- Badly need to do more together on organized crime in Eastern Europe and Newly Independent States.

Turkey/Cyprus/Greece

- Much bitterness in Ankara after Luxembourg. EU-Turkey tensions hamper efforts to anchor Turkey to West, key to making progress on Cyprus.
- Despite common efforts, Yilmaz seems to have opted out of your European Conference.
- We will actively support your efforts to surmount problems. Turkey must do its part and improve human rights policies, address relations with Greece, and cooperate on Cyprus.
- On Cyprus, prospects for UN process depend on where Turkey is with EU and will require lowering of Aegean tensions. Cordovez will try to restart talks in March, but we will need to do some heavy lifting with Ankara beforehand.
- S-300 missile issue needs to be dealt with after Cypriot presidential election over.

Trade and New Transatlantic Marketplace

- Interested in pursuing European Commission's ideas for Transatlantic Marketplace initiative and look forward to working with you and the Commission to flesh out ideas.
- We should strive to tackle tough issues that will bring the U.S. and Europe closer together, while advancing ideas we can take to our trading partners in the rest of the world.
- In the meantime, important to solve the divisive agriculture issues, not just continue to postpone their resolution. Transatlantic Marketplace initiative may provide a systematic way to address new and changing relationships between science and agriculture.
- Hope to complete work necessary to launch this initiative at May U.S.-EU summit.

(If Raised) -- Ratification of NATO Enlargement

- Appreciated editorial by George Robertson last fall explaining what UK has done for common defense and readiness to assume a fair share for enlarging NATO.
- Sending to Hill next week for ratification. Welcome any further statements with Congress reaffirming your commitment to fair sharing of costs and of future tasks NATO faces. Using Bosnia as example would help greatly re Post-SFOR.

(If Raised) -- United Nations Issues

- UNSC expansion: Early action on Council expansion in New York, especially if controversial with Congress, would jeopardize passage of UN arrears legislation this spring. I do not intend to allow this initiative to lead to dead end.
- Arrears: Upset Congress blocked plan to pay about \$1 billion of UN arrears. Intend to get supplemental legislation passed before May. My proposal includes over \$1.0 billion in arrears payments and only those conditions that all nations would agree to -- most involving questions of national sovereignty.

(If Raised) -- HEU Uranium storage: The British Cabinet has agreed to take five kilos of Highly Enriched Uranium from Georgia after much wrangling. We had been working on this since September. Blair may convey this good news to you.

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- Welcome your decision to accept for permanent storage highly enriched uranium from Georgia.
- Excellent example of British leadership in helping to resolve a dangerous proliferation threat.
- Will ask our experts to move ahead with yours quickly.

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POTUS PRE-BRIEF
3:30 P.M., OVAL OFFICE

Iran and Sanctions

- Blair is aligned with us on outcome in Iran regarding WMD, terrorism, moderation, but adamant against ILSA/Sanctions.
- You should acknowledge difficult position he is in, as head of EU and America's closet friend in Europe.
- Tell Blair that ILSA is U.S. law and you will enforce; Sanctionability of TOTAL still under investigation, need to have measures to point to in event it comes to a waiver situation.
- EU has been good on WMD non-pro measures, and UK leading efforts to tighten more. Remind Blair need to keep pressure on Yeltsin to cooperate on missile technology controls.
- East-West Caspian energy corridor -- multiple routes reduce vulnerability, gives us something to point to if need to make a waiver.

Northern Ireland

- Talks are getting traction according to both Dublin and London. Dublin will be looking to you around March 17 to help parties move on papers being negotiated now.
- Equality agenda is focus of U.S. groups, will give cover to Sinn Fein in swallowing NI assembly, no unification.
- Bloody Sunday inquiry, police and legal reforms appreciated, encourage to continue making progress there, especially on fair employment recommendations (157 suggestions). An opportunity for a "win" by the Nationalists which doesn't come at expense of Unionists.
- Gerry Adams here in late February -- will reinforce cease-fire message, encourage serious engagement in talks.
- Trimble not engaging directly with Adams.
- Can we help with this, other things in end-game?

Bosnia/SFOR

- Get Blair to agree to reduced U.S. percentage with UK maintaining its level.

Cabinet Room Session

G-8 Birmingham Summit: Jobs, Crime, Global Economic Issues

- Appreciate your support at Denver and Kyoto. Want to work with you to achieve our mutual goals in Birmingham.
- We should use Birmingham to demonstrate that high-level meetings make real difference to our citizens. Support your efforts to promote more meaningful discussion among leaders on a few critical topics.
- Employability -- advancing our agenda of preparing Americans for workforce of 21st century -- work and family, transitions between jobs, welfare to work (Blair's signature policy initiative is the "New Deal" for 18-24 year olds).
- coordinate G-8 and EU anti-crime initiatives. Need help with Europeans.
- U.S. funding commitments for IMF; emphasized in SOU; seeking Congress' action early this year.
- Asia financial crisis -- continued cooperative efforts. Birmingham provides good opportunity for G-7 to focus both on managing this crisis and preventing future crises -- four principles: responsibility for own economic reforms; strong IMF capable of providing resources; major economic players also have responsibilities -- Japan to strengthen banking system and stimulate domestic growth; United States and Europe to encourage stable growth and continued openness; and China to maintain stable currency and open its market; build on Halifax to strengthen international financial system and adapt international financial institutions to 21st century.
- Climate change: Kyoto was an historic step. Appreciate John Prescott's efforts there. Next challenge is encouraging meaningful participation by developing countries. Won't get ratification here without movement there. Fits nicely with the development theme - Kyoto Clean Energy Mechanism can lead

to technology transfers that will help developing countries grow and fight carbon emissions.

G-8 and U.S.-EU Cooperation on Law Enforcement, Narcotics

- show transnational strategy to fight this growing transnational threat. stability in young democracies.
- show world G-8 progress on ambitious counter-crime agenda set out in Denver. progress on high-tech crime, financial crime, asset forfeiture, firearm trafficking, and environmental crime. demonstrate real action against organized crime groups -- in Caribbean, in West Africa, and in Eastern Europe.
- use EU presidency to urge their greater cooperation in G-8 efforts. Also seek to expand relationship with EU on law enforcement and narcotics issues.
- cooperation in countering narcotics trafficking through Caribbean; drugs and cartels in the Andean Region.
- organized crime in Eastern Europe and Newly Independent States.

Turkey/Cyprus/Greece

- Much bitterness in Ankara after Luxembourg. EU-Turkey tensions hamper efforts to anchor Turkey to West, key to making progress on Cyprus.
- We actively support Blair efforts.
- Cyprus --S-300 missile issue needs to be dealt with after Cypriot presidential election over.

Trade and New Transatlantic Marketplace

- Turn to charlene and or Dan
- Tell Blair we are interested, willing to explore futher, maybe launch in May. divisive agriculture issues cannot be postponed.
-

(If Raised) -- Ratification of NATO Enlargement

(If Raised) -- United Nations Issues

- UNSC expansion, Arrears

(If Raised) -- *HEU Uranium storage*

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RATIFICATION OF NATO ENLARGEMENT

I. CORE OBJECTIVES

- Brief Blair on the status of U.S. ratification efforts.
- Note that it is helpful for senior UK officials to stress Britain's readiness to back fair burden sharing among the Allies in the enlargement process.

II. BACKGROUND

Blair might ask about the status of U.S. efforts to gain Senate approval for ratification of the NATO accession protocols for Poland, Hungary, and the Czech Republic. Blair is unlikely to face any serious difficulty with the House of Commons. In general, prospects for ratification appear to be very good, both among the other Allies and the three invitee countries.

- We plan to submit the enlargement protocol to the Senate for approval shortly after the State of the Union address at the end of January.
- The Senate debate will go on through February, and we expect a vote in March or April.
- Preliminary reaction in the Senate has been positive, but we take nothing for granted. The hard work of ratification still lies ahead of us.

III. POINTS-TO-BE-MADE

- We welcome your willingness and that of your Government to ensure that the American public understands Britain's commitment to NATO. We especially appreciated the editorial by Defense Minister Robertson that appeared last fall explaining what the UK has done for the common defense and its readiness to assume a fair share of the burden for enlarging NATO.
- We would welcome any further statements you can make in public and to the Senate reaffirming your commitment to a fair sharing of costs and of the future tasks NATO faces.

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ISSUE PAPER for 2/4-7 Visit of British PM Blair:
"Ratification Of NATO Enlargement"

DRAFT: EUR/RPM:JRMcGhee
Blair - Ratification 1/22/98 x7-1602

CLEAR: EUR/RPM:RHolley/RSimmons
P:PMoon
D:PGoldberg
S/NERO:JRosner
S/P:DHamilton

CONFIDENTIALNATO ADAPTATION/GIBRALTARI. CORE OBJECTIVES

- Express appreciation for the overall constructive approach taken by the UK toward internal adaptation.
- Thank PM Blair for permitting approval of NATO's new command structure as well as Spain's entrance into the integrated military structure.
- Express desire to work closely with the UK as NATO reviews its Strategic Concept.

II. BACKGROUND

At the December Ministerials of the North Atlantic Council (NAC), Ministers expressed satisfaction with progress made on the three elements of NATO's internal adaptation: a new command structure, implementation of the Combined Joint Task Forces (CJTF) concept, and strengthening the European Security and Defense Identity (ESDI) within the Alliance. The UK has been particularly supportive of U.S. positions on all three aspects. They agreed to the removal of the British-commanded Allied Forces Northwest in order to streamline the command structure; they have insisted on a strong trans-Atlantic link while developing ESDI within the Alliance; and they are strong supporters of the CJTF concept.

We feared that the dispute between the UK and Spain over long-standing Gibraltar issues would preclude approval of the new command structure. Secretary Albright sent letters to her counterparts in both capitals encouraging the two sides to resolve their differences prior to the December NATO ministerials.

[REDACTED]

EO 13526 1.4d

[REDACTED] We do not want the bilateral issue to preclude smooth implementation.

France, [REDACTED]

EO 13526 1.4d

[REDACTED] has nonetheless showed interest in participating in the new CJTF structure and has

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indicated it may be willing to take "intermediate steps" towards military re-integration. We are working with the French military at a low level on this issue; however the cohabitation government of Jospin and Chirac has not reached consensus on whether, and if so how, to proceed. We are prepared to support the French as long as the "intermediate steps" do not violate the effectiveness of the integrated military structure and NATO's Defense Planning Process.

The Alliance is now setting the framework for revising its 1991 Strategic Concept. We do not want to reopen a debate on the role of nuclear weapons in Alliance strategy. NATO has crafted Terms of Reference which we believe appropriately focus on the implications of internal and external adaptation as well as new roles and missions of the Alliance. We expect the UK will support our concerns regarding the nuclear policy. The review and required revisions should be completed prior to the 1999 Summit in Washington.

III. POINTS-TO-BE-MADE

- U.S. is committed to NATO's adaptation as it prepares to meet the security challenges of the 21st Century.
- Appreciate British support for streamlining the military structure and am particularly grateful for British agreement to the new command structure, despite disagreements with Spain over access to Gibraltar.
- We trust that continuing dialogue with Spain will preclude problems during the implementation phase.
- Unfortunate that we could not bring France into the military structure during 1997. The U.S. is willing to listen to France's proposals for "intermediate steps" towards military re-integration.
- We look forward to close cooperation as the Alliance undergoes a very important review of its Strategic Concept over the next several months.

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ISSUE PAPER for 2/4-7 Visit of British PM Blair:
"NATO Adaptation/Gibraltar"

Draft: EUR/RPM:JBell
1/22/98 7-3374

Cleared:EUR:Rasmus
EUR/RPM:DDean/RSimmons
EUR/WE:SBarnes
EUR/UBI:RBell
D:PGoldberg
P:PMoon
S/P:DHAMILTON
OSD/ISA(EUR/NATO):FBeauchamp

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NATO-RUSSIA RELATIONS

I. CORE OBJECTIVES

- Maintain steady management of the NATO-Russia relationship and close coordination among Allies.
- Focus energies on most promising areas for consultations and cooperation, such as post-SFOR, peacekeeping, non-proliferation and establishing Military Liaison Missions.
- Develop together a strategy for addressing Russian concerns on infrastructure that respects NATO red lines.

II. BACKGROUND

The December NATO-Russia Ministerial underscores the need for continued careful management of the still developing NATO-Russia relationship. Foreign Ministers approved an ambitious work plan for 1998 that builds on achievements from last year and introduces greater substance to the NATO-Russia agenda.

EO 13526 1.4d

The challenge for the next six months is to focus energies on the most promising avenues for NATO-Russia cooperation, even as smaller technical projects proceed apace,

EO 13526 1.4d

The Alliance has agreed to consultation with Russia in May on "infrastructure development programs" and is developing a strategy for this exchange.

EO 13526 1.4d

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2013-08-04 - M. [unclear] [unclear]

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EO 13526 1.4d

Post-SFOR consultations are proceeding apace at SHAPE between General Clark's staff and the Russian SFOR commander, General Krivalopov. Early informal readout indicates that Russian participation in a follow-on force will be on the same basis as their SFOR participation (i.e., Russian forces will serve under a U.S. commander).

III. POINTS-TO-BE-MADE

- Keeping the NATO-Russia relationship on track and moving forward productively will require sustained engagement by the Alliance.
- Should focus our energies on the most promising areas for cooperation, such as peacekeeping and non-proliferation. Consultations on post-SFOR should be meaningful, but not undercut the Contact Group or involve operational issues.

- EO 13526 1.4d

we will not cross our red lines.

- We must also be better prepared to present a common front whenever Russia tries to cross one of our red lines.

- EO 13526 1.4d

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ISSUE PAPER for 2/4/-7 Visit of British PM Blair:
"NATO-Russia Relations"

Drafted: EUR/RPM:MJMurphy
736-7295

Cleared: EUR:Rasmus
EUR/RPM:Bowens-kirkpatrick
EUR/RPM:Rsimmons;Pfritch
EUR/RUS:Sgwaltney
P:Pmoon
D:Pgoldberg
S/SR:Kredgate

CONFIDENTIALNATO'S OPEN DOOR POLICYI. CORE OBJECTIVES

- Reiterate our basic line on enlargement, stressing the need to avoid premature commitments for the next round.
- Make clear that we have made no decision about when there should be a new round, nor who should be included.

II. BACKGROUND

EO 13526 1.4d

...ance and Italy back Romania and Slovenia; the Danes and Norwegians have pushed for an arrangement that would guarantee eventual membership for the Balts.) Blair is likely to reiterate the UK position.

III. POINTS-TO-BE-MADE

- I want to reaffirm that U.S. policy has not changed since Madrid. NATO enlargement remains one of our top priorities, and the Open Door is an integral part of our policy. We have said many times that enlargement would not be a one-time event, and we remain committed to that.
- We committed at Madrid to review enlargement in 1999, and we intend to do so. But we have not yet made any decisions about when future invitations might be issued or to whom. It would be premature and counterproductive to dwell on this issue now.
- We believe NATO should lean forward on the principle of the Open Door but remain non-specific in order to maintain maximum flexibility.

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- The U.S. will try to help aspiring members help themselves become the strongest possible candidates in the future. Our Northeastern and Southeastern Europe initiatives should be seen in this context and as a means of contributing to regional cooperation.
- We will continue to encourage states interested in future membership to pursue active involvement in the enhanced Partnership for Peace, the Euro-Atlantic Partnership Council, and the Intensified Dialogues for NATO partners.
- Everyone's interests -- allies and partners -- are best served for now by ensuring that ratification proceeds smoothly. Clearly, the future of enlargement depends on making the first phase successful. This will remain our focus until the first round is fully completed.

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ISSUE PAPER for 2/4-7 Visit of British PM Blair
"NATO's Open Door Policy"

DRAFT: EUR/RPM:JRMCGhee
1/21/98 x7-1602

CLEAR: EUR/RPM:RHolley/RSimmons
D:MSullivan
P:PMoon
S/P:DHamilton
S/NERO:JRosner
EUR/UBI:JLeCroy

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LANDMINE ISSUE IN NATO

I. CORE OBJECTIVES

- Urge Blair to be flexible in resolving the problems for the U.S. within NATO and bilaterally due to the UK's signing (and the U.S. non-signature) of the Ottawa Convention ban on anti-personnel landmines (APL).

II. BACKGROUND

We have held initial consultations with selected NATO allies, including the UK, to resolve the problems of stockpiling and of use within NATO of U.S. anti-personnel landmines (APL) and mixed anti-tank mine systems. (The latter, which use anti-personnel submunitions to protect anti-tank mines, are also banned by the Convention.) These problems have arisen because all NATO allies except Turkey have signed the Ottawa Convention while we have not. We want them to permit necessary storage, transport and use of U.S. APLs and mixed anti-tank systems for U.S. planned support to NATO operations. We also support the current consideration by the NATO Military Committee of problems of use of these munitions within NATO in light of the ban, but want to avoid premature political discussion in NATO before the military study is completed.

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III. POINTS-TO-BE-MADE

- Although we understand your determination to ratify the Ottawa Convention, we urge you to be flexible in permitting the U.S. necessary storage, transport and use of U.S. APLs and mixed anti-tank systems for planned U.S. support to NATO operations and in the Persian Gulf.
- We urge your continued support of efforts within NATO's Military Committee and in the NAC to resolve these issues, and to maintain NATO effectiveness and interoperability.
- Despite our commitment to an APL ban, the U.S. cannot sign the Ottawa Convention because of its impact on our ability to carry out our defense and security obligations and on our ability to protect U.S. troops.

EO 13526 1.4a, 1.4d

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ISSUE PAPER for 2/4/-7 Visit of British PM Blair:
"Landmine Issue in NATO"

Drafted: EUR/RPM:DDean
X7-1563

Cleared: EUR:BOkirkpatrick
EUR/RPM:RSimmons
PM/SPN:Ceresman
EUR/UBI:JLeCroy
D:PGoldberg
P:BStephenson
S/P:LFeinstein

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UK STRATEGIC DEFENSE REVIEW

I. STATEMENT OF THE ISSUE

Tony Blair may mention that the UK is in the midst of a significant review of its defense policy, strategy and posture. We do not have much confirmed information, but expect little, if any, change in the UK's defense commitment to NATO.

II. KEY POINTS

- Focus of the Strategic Defense Review (SDR), to be completed by summer 1998, is apparently to reduce public expenditure.
- The assessment assumes that the UK will operate in conjunction with its NATO Allies, particularly the U.S., in virtually any combat scenario abroad. There appears to be consensus that the connection to the U.S., including intelligence links, must be maintained.
- British officials have expressed concern that their country's military will not be able to keep pace with the U.S. modernization program, and that they will only be able to fight along side of, rather than integrated with, U.S. forces.

III. BACKGROUND

The new Labour government initiated the Strategic Defense Review (SDR) to take a fresh look at the UK's defense posture. Defense Minister Robertson has said the review will be foreign policy-led rather than driven by resource considerations. The Ministry of Defense and the Foreign Office finished the first of three SDR phases (Strategy and Policy phase) late last year. Officials expect that British forces will be involved in military operations in Europe, the Mediterranean and its littoral, and the Persian Gulf, as well as in the fight against terrorism. Northern Ireland was ranked a major security interest.

The British are currently in the second phase, which will define roles, missions, and a force structure needed to meet the policy objectives outlined in the first phase. The third phase, due in March 1998, will develop and cost-out a detailed defense program with an eye toward taking advantage of emerging military technologies.

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BACKGROUND PAPER for 2/4-7 Visit of British PM Blair
"UK Strategic Defense Review"

Draft: EUR/RPM:JBell
1/23/98 7-3374

Clear: EUR/RPM:DDean/RSimmons
EUR/UBI:RBell
D:PGoldberg
P:PMoon
S/P:DHamilton
OSD/ISA(EUR):MBlythe

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CONFIDENTIALSTATUS OF NORTHERN IRELAND PEACE PROCESSI. CORE OBJECTIVES

- To reaffirm U.S. support for Northern Ireland peace process;
- To solicit PM Blair's views on prospects for the multi-party talks;
- To discuss ways in which the U.S. can be helpful.

II. BACKGROUND

The British and Irish governments are pressing ahead with the multi-party talks despite recent setbacks and obstacles. All the Northern Ireland parties---with the exception of Sinn Fein---have agreed to a joint British-Irish framework proposal for moving forward, but thus far there has not been tangible progress in any of the three substantive "strands" of the talks: new governing institutions within Northern Ireland (Strand 1), cross-border cooperation between Ireland and Northern Ireland (Strand 2), and British-Irish relations (Strand 3). Sinn Fein's rejection of the framework proposal will remain a complicating factor. Unionist and nationalist leaders accuse each other of refusing to engage seriously in compromise.

Republican and loyalist splinter groups continue their attempts to derail the peace process through sectarian violence, which has resurged since the New Year. The heightened tensions have prompted fears that the IRA and mainstream loyalist groups could be drawn into a new round of attacks. Any breakdown in these cease-fires would disqualify key parties from the negotiations; the continuing participation of one of the key loyalist parties, the Ulster Democratic Party, is in jeopardy.

PM Blair and his Northern Ireland Secretary, Mo Mowlam, attach a high priority to these talks and have worked hard to overcome the recent obstacles. London has undertaken a number of "confidence-building measures," such as prisoner transfers and reforms in the security regime in Northern Ireland, to encourage support for the talks. Mowlam met personally with imprisoned loyalist paramilitary leaders---who had charged that "confidence-building measures" were one-sided attempts to appease the IRA---in an effort to persuade them not to withdraw their backing for the peace process. London and Dublin remain committed to the talks and continue to cooperate closely.

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U.S. support continues to play an important role in reinforcing the credibility and momentum of the peace process. Both London and Dublin share our conviction that this process remains the best hope for peace in Northern Ireland and must not be allowed to collapse. In public and private, we need to continue to make the points that the talks help prevent a return to widespread sectarian bloodshed, keep principal antagonists at the same negotiating table, and remain the "only game in town". Without the promise of eventual progress in the talks, moderates in both the unionist and nationalist camps would be weakened to the advantage of hardliners.

III. POINTS-TO-BE-MADE

- The U.S. remains engaged and committed to helping to advance the peace process in Northern Ireland.
- We have made it clear, both publicly and privately, that we expect the IRA and loyalist groups to maintain the cease-fire.
- What are your views on prospects for the multi-party talks in light of Sinn Fein's rejection of your framework proposal?
- Is the upsurge in sectarian violence damaging the peace process? What is the likelihood that the IRA cease-fire will break down?
- The U.S. approach has been to encourage movement on all sides without detracting in any way from Senator Mitchell's efforts. Are there other ways in which we might be helpful?

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ISSUE PAPER for 2/5 Visit of British PM Blair:
"Status of Northern Ireland Peace Process"

Drafted:EUR/UBI:SKashkett, 7-6585

Cleared:EUR:JGadsden
EUR/UBI:JLeCroy
D:PGoldberg
S/P:DHamilton
P:BStephenson

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ASIAN FINANCIAL CRISIS

I. CORE OBJECTIVES

- Encourage continued EU involvement in resolving the Asian Financial Crisis
- Encourage continued participation of the EU banking sector in the Korean private sector debt refinancing discussions and in seeking a solution to the Indonesian corporate debt problem.
- Seek EU support on approaching Japan to stimulate its domestic economy

II. BACKGROUND

The EU has been supportive of the IMF/USG led approach. EU countries have contributed to the second line of defense contingency funds for Korea, Indonesia, and Thailand. EU banks have worked with our bankers in New York to develop an acceptable plan to refinance Korean debt. Differences in the EU and American banks' approaches to Korea are now reported to be minimal.

III. POINTS-TO-BE-MADE

- EU participation in the Asian financial crisis has been very helpful. We share a common goal to ensure these economies stabilize and reform.
- American and European banks have made a great deal of progress in developing a private sector-led plan to refinancing Korean short-term bank debt. The success of this plan is essential to restoring confidence in the Korean economy.
- We need to be mindful of the need for the private sector to handle short-term corporate debt and alleviate the growing liquidity squeeze in countries like Thailand and Indonesia.
- A growing Japanese domestic economy is key to an Asian recovery.
- We must continue to work together to impress on the Japanese government the importance of stimulating domestic demand and not trying to export their way out of recession.

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ISSUE PAPER for 2/4/-7 Visit of British PM Blair:
"Asian Financial Crisis"

Drafted:EB/IFD/OMA: JMerante
SEOMA 13546 1/23/98 x7-5444

Cleared: EB/IFD/OMA:DNelson
EAP/EP:JAndre
S/P:JSammis
E:SVillarosa
P:DShear
P:BStevenson
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G-8 BIRMINGHAM SUMMIT: JOBS, CRIME, GLOBAL ECONOMIC ISSUES

I. CORE OBJECTIVES

- Sound out Blair on his expectations for the Birmingham Summit.
- Support Blair's use of the Summit to demonstrate that these high-level meetings can make a real difference in terms of global prosperity, jobs, crime prevention, and sustainable development.

II. BACKGROUND

The UK serves as G-8 president for 1998, and will host a Summit of the Eight in Birmingham on May 15-17. The UK was very supportive of the U.S. during the Denver Summit, and we want to reciprocate. Blair wants the Summit limited to Heads of Government in order to foster real debate and in-depth discussion of a limited number of topics. We support this approach. Blair also wants the Foreign and Finance Ministers to meet a full week before the Summit - a gap that causes logistical problems for others and us.

The major Summit topics will be employability, international crime, and global economic issues. Other topics, such as the Asian financial crisis, energy, Kyoto Climate Change Conference follow-up, terrorism, and nuclear safety will surely work their way into the discussion.

The theme of "growth, employability and social inclusion" will build on the results of last November's Kobe Employability Conference and the upcoming G-8 Employability Conference in London (February 22). The UK and the U.S. share an interest in supporting "active labor market" issues such as pension portability, training, and welfare-to-work. Some G-8 partners face record levels of unemployment and mounting social tension. They envy the ability of the U.S. economy to provide jobs, but have been reluctant to embrace U.S. and UK models for fear they will create greater income inequality and a sense of job insecurity among their people.

The UK wants to take advantage of its simultaneous presidency of the EU and G-8 to integrate better their complementary initiatives against organized crime. We support this idea as well as the UK proposal to have the Eight conduct joint operations to combat credit card fraud, alien smuggling, trafficking in stolen vehicles and other international crimes. As the anti-crime initiative encompasses such a large number and variety of activities, it will be important at the Summit to focus on a workable range of issues.

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Summit discussion of the global economy will be dominated by development issues, particularly as they relate to the Asian financial crisis. The UK has proposed that Heads discuss effective aid, stimulating private investment through public/private partnerships, debt relief, improved market access, and eradicating malaria. We want to work with the British to maintain support for open markets, while helping developing countries solve the problems presented by the globalized economy. We also want the Eight to encourage developing countries to undertake commitments under the Kyoto Climate Change Protocol. The UK supports this goal.

III. POINTS-TO-BE-MADE

- We appreciate the support you gave us at the Denver Summit and during the Kyoto Conference. We want to work with you to achieve our mutual goals in Birmingham.
- We should use the Birmingham Summit to demonstrate to our citizens that these high-level meetings can make a real difference on issues of concern to them.
- We want to work with you to make the case for active labor market issues such as pension portability, training, and welfare-to-work.
- We support UK efforts to coordinate G-8 and EU anti-crime initiatives.
- We need to continue our close coordination on the Asian financial crisis. In that context, it is particularly important that we maintain support for open markets, while helping developing countries solve the problems presented by the globalized economy.
- Developing countries must join with us in further liberalizing trade and in implementing commitments made at the Kyoto Climate Change Conference.
- Eliminating the gap in timing between the meetings of Ministers in London and the Summit in Birmingham would promote more meaningful discussions, and would resolve logistical problems while preserving the separate schedule of meetings for Heads only.

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ISSUE PAPER for 2/4/-7 Visit of British PM Blair:
"G-8 Birmingham Summit: Jobs, Crime, Global Economic Issues"

ID: G-8 Issues

Drafted: EUR/ERA:GClements 7-1688

Cleared: EUR/ERA:WPrimosch

D: PGoldberg

E: CAPence

G: SPetroni

P: PMoon

S/P: JSammis

EB/IFD/OMA: JWebster

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EUR/UBI: JLeCroy

IO/ESA: JMcGuinness

USAID: NNicholson(info)

CONFIDENTIALIRAN-LIBYA SANCTIONS ACT AND HELMS BURTONI. CORE OBJECTIVES

- To urge the EU to take additional measures on weapons of mass destruction and terrorism to constrain Iran.
- To prevent the Iran and Libya Sanctions Act (ILSA) and the Libertad (Helms-Burton) Act from disrupting U.S.-EU relations.

II. BACKGROUND

Secretary Albright is expected to make a decision in mid-February on whether the Total/Gazprom/Petronas investment is sanctionable under ILSA. The evidence, thus far, supports such a finding. ILSA, however, allows the Secretary to defer a decision on imposing sanctions during a 90-day period for consultations.

Over the past several months, we have pressed the immediately concerned governments to head off the energy investments and urged our European allies to support new measures to curb Iranian objectionable behavior. EU members share our security concerns regarding Iran. But they strongly oppose economic sanctions and what they describe as ILSA's extraterritorial reach.

Most EU member governments responded positively to our call for new measures related to terrorism and weapons of mass destruction (WMD) and missiles. They stressed, however, that the measures should target behavior, not Iran, reflecting views that Iran's behavior is best changed by engagement, not isolation. The measures under consideration have value but are modest in scope. Our European allies, including the UK, believe that their active support for nonproliferation in multilateral fora (e.g., the MTCR and Wassenaar Arrangement) and national counterterrorism policies are effectively addressing threats from Iran.

Additional measures on WMD and terrorism, including economic measures, remain our core objectives. As part of a broader strategy on Iran, however, we are also urging EU members to take action on other issues, including support for our Iraq policy, development of an East-West Caspian energy corridor.

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The UK has been a sympathetic and proactive intermediary on Iran policy and ILSA-related issues. The British government shares our goal of wanting to prevent ILSA from becoming a divisive issue in transatlantic relations. Foreign Secretary Cook has told the Secretary that, while he would urge the new measures on terrorism and WMD, he doubted that governments could have much influence over oil company decisions on whether to build the Caspian East-West energy corridor.

The UK, like other EU members, also strongly opposes the Libertad (Helms-Burton) Act, which has led to visa sanctions against British nationals. However, it has joined other EU members and the European Commission in insisting that conclusion of the agreement on confiscated property disciplines—a key element of the Understanding—must be linked to our approval of ILSA waivers.

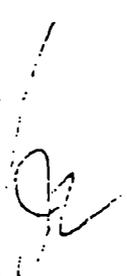
III. POINTS-TO-BE-MADE

- We value the UK's activism on Iran issues. We welcome recent overtures from Khatami but need to see action.
- We do not want Iran/ILSA to become a divisive issue but have a legal obligation to implement the law. No determination has been on whether South Pars is sanctionable, but what we have seen so far supports a finding of sanctionability. We will decide soon.
- Our talks with EU members show we share Iran security concerns about weapons of mass destruction, terrorism and opposition to the Middle East Peace Process.
- For these reasons we need to tighten multinational controls and take additional national measures. We welcome the UK Presidency's efforts to help us reach an EU consensus on additional measures relating to weapons of mass destruction, missiles and terrorism. We also continue to seek economic restraints on Iran since they would enhance the impact of security measures.
- We also seek your support on promoting development of an East-West Caspian energy corridor. Multiple routes serve our strategic and energy interests best.
- **If raised:** Progress on confiscated property disciplines, a key element of the April 11 Understanding, should not be linked to ILSA.

U\Public Files\Blair-issues paper ilsa FINAL.doc ext. 72420

Drafted: EUR/ERA:MMurray

Cleared: EUR:EAWayne
EUR/ERA:WPrimosch*
E:HMoore*
P:RKing*
P:BStephenson*
L/NESA:JDorosin*
EB/ESC/ILSA:PWall*
NEA/NGA:SJohnson*
NEA:AKorky
S/NIS:CMcCleland
EUR/UBI:EKettner*



~~CONFIDENTIAL~~FORMER YUGOSLAVIAI. CORE OBJECTIVES

- Lay the groundwork for a G-8 statement and action plan on Bosnia at the upcoming summit.
- Encourage greater UK and EU support for reducing tension in Kosovo, Montenegro, and Macedonia.

II. BACKGROUND

In Bosnia, the recent appointment of Milorad Dodik, a reform-minded ally of President Plavsic, as Prime Minister of the Republika Srpska, is a real step forward for Dayton implementation. "FRY" President Slobodan Milosevic clearly played a positive role in ensuring the Dodik appointment, and we are currently considering steps to encourage Belgrade to keep moving positively on Dayton. Momcilo Krajisnik and the Pale hardliners have not abandoned their efforts to undermine the Dodik government, however. We will need to work closely with the UK to use the G-8 summit in June to help mobilize international backing for Dodik's government.

Although Milosevic has been helpful on Dayton issues, he has been less forthcoming on what he considers Belgrade's "internal issues," primarily the situation in Kosovo and democracy in Serbia-Montenegro. The situation in Kosovo is increasingly tense, and serious violence could result. Moderates, including Kosovar Albanian leader Ibrahim Rugova, are losing ground to extremists who advocate confrontation with Belgrade.

Also of concern are the activities of the Kosovar Liberation Army, which has claimed credit for the increasingly frequent attacks on Serb police and Kosovar Albanian "collaborators." Contact Group countries have established a working group on Kosovo to help keep the Russians on board and focus international pressure on Milosevic to engage on Kosovo. In the short term, we will continue to press Milosevic to implement the Kosovo education agreement and open the University of Pristina to education in the Albanian language.

In FYR Macedonia, the August end of the UNPREDEP peacekeeping force risks instability that could set back our Dayton peace efforts. To head off renewed hostilities and avoid getting drawn into a conflict, we are working to develop security structures for Macedonia post-UNPREDEP. The Blair

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meeting is an opportunity to raise British consciousness about this serious problem and ask for London's help in organizing - in just a few months - a new international deterrent to violence in Macedonia.

III. POINTS-TO-BE-MADE

- We must use the upcoming G-8 summit to advance our agenda in Former Yugoslavia. As previously, we should seek a separate statement to highlight the situation in Bosnia.
- Announcement on initiatives to take between the summit and the September Bosnia elections would boost the chances for a positive outcome.
- Actions should focus on building free RS media, democratic policing, assistance to pro-Dayton forces, and support for civil-society initiatives.
- We want to continue our close cooperation on Kosovo.
- Milosevic's refusal to accept dialogue on Kosovo means that any public efforts to press an international initiative are unlikely to succeed right now.
- We cannot simply wait for Milosevic to come around. There are a number of steps we can take immediately to reduce the risk of violence in Kosovo.
- We are stepping up our support for tension-reducing and democracy-building programs in the Kosovo region and encourage EU countries to do the same. We fully support the opening of an EU office in Pristina.
- Milo Djukanovic's inauguration as President of Montenegro is significant. Montenegro has a better record than Serbia on media freedom, democratization, and the treatment of ethnic minorities. We intend to step up our efforts to support civil-society building programs in Montenegro.
- UNPREDEP has contributed significantly to stability in FYR--Macedonia and the region, but conflict in Kosovo would put that stability to the test. We need to continue building up the Gligorov government as part of our regional strategy and quickly assemble a new international presence there to avoid a dangerous vacuum after UNPREDEP shuts down.

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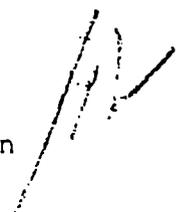
ISSUE PAPER for 2/4/-7 Visit of British PM Blair:
"Former Yugoslavia"

Drafted:

EUR/SCE:MPalmer
Serbia/clinton-blair
X67479

Cleared:

EUR:MGrossman
EUR/SCE:CHoh
S/SR:RGelbard
EUR/ERA:AHyde
S/P::DHamilton



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BOSNIA/SFOR

I. CORE OBJECTIVES

- Commend the UK Government for its contributions to the peace effort in Bosnia and Herzegovina.
- Urge Prime Minister Blair to ensure his government supports a robust mandate for the Follow-on Force in Bosnia and Herzegovina, including an armed paramilitary force component.
- Press the UK to consider providing additional resources to justice sector reform efforts in Bosnia.

II. BACKGROUND

As discussion of post-SFOR issues proceeds in NATO, we need the support of our European Allies to implement our integrated strategy in Bosnia and Herzegovina. A robust Follow-on Force, coupled with an increased focus on public security in Bosnia, is essential to success in implementing Dayton and securing a self-sustaining peace. The United States continues to call for greater burdensharing by Allies, especially in training and equipment for local police.

You should reiterate the message that while the U.S. has made a long-term commitment to peace and stability in Bosnia and Herzegovina, we expect our European Allies to make significant contributions to the peace effort, as well. We are looking for the UK to provide additional bilateral assistance for police training, equipping, and restructuring efforts and judicial reform.

The UK currently contributes 60 police to the International Police Task Force (IPTF). Richard Munk, a UK police officer, will become the next IPTF commissioner in March. The UK is considering a substantial bilateral assistance program to assist Banja Luka police.

You should press Prime Minister Blair to support a robust mandate for the Follow-on Force, allowing us to build on the significant progress we have made thus far in Bosnia. That force should include a new paramilitary component, as recommended by General Clark, to bridge the existing security gap among the NATO-led force, unarmed IPTF monitors, and local police.

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III. POINTS TO BE MADE

- The U.S. recognizes the significant contribution the United Kingdom has made in the Bosnia peace effort, both in SFOR and in the area of police monitoring.
- The U.S. has made a long-term commitment to peace in Bosnia and Herzegovina, and will participate in a NATO-led Follow-on Force.
- We are considering our options for post-June 1998 involvement in Bosnia. We believe the Follow-on Force must have a robust mandate if it is to continue effectively to implement the Dayton Agreement. We have made significant progress, and should develop a Follow-on Force that will enable us to build on our success to date.
- The U.S. looks to the UK to support our efforts to develop a robust Follow-on Force that will be capable of fulfilling its mandate. As part of that effort, we look for UK support of the paramilitary force component proposed by SACEUR General Clark.
- We understand the UK does not have a gendarmerie-type force. Neither does the U.S. Nonetheless, we hope the UK will support the concept in principle and will consider ways your government might participate in that force.
- We are looking to our Allies to increase their contributions to the peace effort, especially in the area of justice sector reform efforts. We particularly urge your government to consider providing additional resources for police training and equipment, as well as for judicial reform efforts.

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Issue Paper for POTUS meeting with UK Prime Minister Blair

Drafted by: EUR/RPM/S:PGLaidlaw 72097 01/21/98

Clear: EUR/RPM:DDean
S/SR:KRedgate
EUR/SCE:BBraun (info)
EUR/BI:DSmith
INL/PC:RGifford
D:PGoldberg (info)
P:BStephenson
S/P:DHamilton

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TURKEY/CYPRUS/GREECE

I. CORE OBJECTIVE

Press Blair for continued efforts to restore frayed EU-Turkey ties, to ensure Turkish cooperation on Cyprus and enhance prospects for resolution of Greco-Turkish disputes.

II. BACKGROUND

Turkish anger and frustration at the results of the Luxembourg Summit -- the EU decided to open accession negotiations with Cyprus but to place Turkey in a separate category well behind other accession candidates -- has cast a pall over EU-Turkey relations. Turkey has suspended "political dialogue" with the EU and appears firmly set against participating in the European Conference March 12-13, which was conceived in part to address Turkey's membership aspirations. The downturn in relations complicates our efforts to resolve Greece-Turkey tensions in the Aegean and threatens to derail Cyprus settlement efforts, set to resume after Cyprus' February Presidential election.

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Improving EU-Turkey relations will be critical to our efforts to re-start the Cyprus settlement process. Whatever the outcome of the February 15 final round of the Cyprus election (President Clerides and opposition candidate Iacovou are currently neck-and-neck in the polls), we are hoping to launch an initiative this spring. The UK may try to pin us down on timing, but Dick Holbrooke wants to stay flexible. Our goal is to hammer out with the two sides a framework agreement on the core issues that can then be filled out in UN-sponsored

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negotiations

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The British share our concern that the impending delivery to Cyprus of Russian S-300 anti-aircraft missiles could provoke a serious crisis and derail settlement efforts.

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III. POINTS-TO-BE-MADE

- Very pleased at U.S.-UK cooperation on Turkey, Cyprus, Aegean issues.
- Much bitterness in Ankara after Luxembourg. EU-Turkey tensions hamper our efforts to anchor Turkey to West, which is important to making progress on Cyprus and improving Greece-Turkey relations.
- I know you're working hard to improve EU-Turkey relations. This is crucial. We will actively support you in Ankara.

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- Yilmaz seems to have closed the door on attending the European Conference in March. We'll continue to press him to change his mind, but we need to make sure his absence doesn't overshadow our effort to promote a closer Turkey-EU relationship.
- On Cyprus, prospects for the UN settlement process will depend very much on where Turkey is vis-a-vis the EU and will require lowering of Aegean tensions. Cordovez will try to restart the talks in March,

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- Movement on UN settlement process will also help with the S-300 missile issue. As soon as the Cypriot presidential election is over, we'll need to move ahead with our efforts to get the deal cancelled. We'll continue to work closely together with you.

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ISSUE PAPER for 2/4-7 Visit of British PM Blair:
"Turkey/Cyprus/Greece"

Turkey/Cyprus - Blair-Clinton Meeting

Drafted: Eur/SE: Ctribble 7-6113

Cleared: EUR/SCC: TJMiller

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NEW TRANSATLANTIC AGENDA: UK PRIORITIES

I. CORE OBJECTIVES

- Convey that the strong U.S.-UK bilateral relationship offers an opportunity for enhanced U.S.-EU cooperation.
- Stress the need for achievements to announce at the U.S.-EU Summit. Press for support for key "deliverables," including relations with Turkey, initiatives on Ukraine, progress on Iran, and promotion of the New Transatlantic Marketplace.

II. BACKGROUND

Blair will want to use this opportunity to advance U.S.-EU cooperation under the New Transatlantic Agenda (NTA). Blair is eager to demonstrate the UK's commitment to European integration and wants to bring the U.S. and EU closer together.

The NTA provides a framework for expanding cooperation with the EU through a regular consultative process. The NTA lays out an action-oriented agenda for diplomatic, global, and economic issues and efforts to link Americans and Europeans.

UK leadership provides an opportunity to enhance U.S.-EU diplomatic coordination on Iran, Turkey/Cyprus, the Middle East Peace Process, and Ukraine and to resolve trade differences. The UK has also identified cooperation on law enforcement, employment, and human rights as key priorities.

The UK is planning to hold the U.S.-EU Summit, immediately following the May 15-17 G-8 Summit. This schedule will require speedy action on achieving key deliverables.

Differences over Iran and U.S. sanctions legislation remain the most serious threat to transatlantic cooperation. EU members, including the UK, are united in their opposition to both the Iran and Libya Sanctions Act (ILSA) and to the Libertad Act (Helms-Burton). We have been working quietly with the UK and other European partners to encourage additional measures on weapons of mass destruction, terrorism and economic restraints that would both pressure Iran and give us flexibility on ILSA.

We are working with the EU to support reconstruction in Bosnia, reconciliation in Kosovo, and economic reform in Ukraine. The EU, with UK endorsement, has welcomed our efforts to help improve the EU-Turkey relationship and reach a settlement between Greek and Turkish communities in Cyprus. The EU is supporting the U.S.-led Middle East Peace Process and vital financial assistance to Palestinian authorities. The UK, however, is under

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pressure from EU member states to find a more active political role for the EU in the Peace Process. As part of a broader Northeast strategy, we have agreed to explore cooperation on nuclear safety and waste disposal problems in Northwest Russia.

A joint counternarcotics program is underway in the Caribbean, exchanges between the European Drug Unit (future Europol) and law enforcement officials have begun, and a joint project to combat trafficking in women in Poland and Ukraine will start in the spring. A key U.S. goal, on which the UK wants to be supportive, is to expand counternarcotics cooperation to the Andes region. We also plan to work to resolve remaining differences from the Kyoto Conference.

We are working to manage and resolve trade disputes, most notably in the agricultural trade area. The UK has strongly endorsed a new ambitious initiative, proposed by Commission Vice President Brittan, to advance the New Transatlantic Marketplace. We are still reviewing Brittan's ideas. Enhancing U.S.-EU regulatory cooperation and implementing agreed principles on global electronic commerce are other priorities. U.S.-EU cooperation in the WTO is vital for our global trade agenda.

At the Summit, we will announce the U.S.-EU Democracy and Civil Society Awards, totaling \$1 million, to NGOs in Central Europe and the NIS for work in promoting human rights and democracy. Other initiatives include a diplomatic exchanges between Congress and the European Parliament, support for the Transatlantic Labor Dialogue (TALD), implementation of the U.S.-EU science agreement, and electronic exchanges.

III. POINTS-TO-BE-MADE

- Our special relationship and your EU presidency and chairmanship of the Eight offer unique opportunities for advancing our U.S.-EU transatlantic agenda.
- Our foreign ministers identified key priorities at their meeting January 15. Important that we have concrete achievements to announce at the Summit.
- Particularly important that we coordinate effectively on Iran, Turkey/Cyprus, and the Middle East Peace Process.
- We should continue to combat drug trafficking and organized crime and to address environmental concerns.
- We want to develop the New Transatlantic Marketplace and continue our cooperation in the WTO. We must continue to address a number of agricultural trade issues.

Drafted: EUR/ERA: BWalch

revised 1/26/98

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S/P: DHamilton✓

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paperNEW TRANSATLANTIC MARKETPLACEI. CORE OBJECTIVES

- To confirm Blair's support for a U.S.-EU **New Transatlantic Marketplace** initiative. Which would reduce trade barriers, increase protection of health and safety and environmental standards, advance worker rights, and set the stage for similar regional and global initiatives with others.

II. BACKGROUND

European Commission Vice President Sir Leon Brittan has proposed an ambitious new trade initiative to advance our goal of building a New Transatlantic Marketplace. Sir Leon's proposal includes negotiation of a number of Mutual Recognition Agreements designed to facilitate trade by allowing each side to recognize the other's standards for a wide range of products. The initiative would also include a Free Trade Agreement in services and a political commitment to reduce all tariffs on industrial products by the year 2010 if enough of the world's major economies pledge to do the same. A final component of the initiative would include, but not be limited to, provisions on government procurement, investment, and intellectual property rights protection.

Sir Leon's proposal marks a sharp departure from our current approach of addressing trade-related problems in a step-by-step, pragmatic basis. This approach has achieved important results, such as a Mutual Recognition Agreement on product testing and certification covering \$40 billion in trade. However, it has failed to capture public attention and has failed to offset the negative environment created by ongoing disputes on agricultural trade issues, sanctions, and other issues.

USTR, State, and Commerce have expressed interest in a New Transatlantic Initiative and an intensive interagency review of Sir Leon's proposal is now underway. *(To be updated following the January 27 Principals' Committee meeting.)*

All EU member states are now aware of Sir Leon's initiative. UK officials at the political level strongly

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support the idea. Other member states appear also to favor it, although some - notably France -- have been more resistant.

III. POINTS-TO-BE MADE

Transatlantic Marketplace

(To be updated following the January 27 Principals' Committee meeting.)

- U.S. officials have reviewed with interest Sir Leon Brittan's proposed New Transatlantic Marketplace initiative. The initiative offers the potential to strengthen the U.S.-EU economic relationship and lead the way for other global agreements.
- The U.S. and EU should have an ambitious trade agenda reflecting the importance of the U.S. and EU markets, the high level of bilateral trade and investment, and our commitment to an open international trade system. We are still reviewing Sir Leon's proposals but agree that we should continue our efforts to build the New Transatlantic Marketplace.
- The New Transatlantic Marketplace can serve as a model for other regional and multilateral agreements, so that we can expand its commitments and principles to the global marketplace.
- I suggest that we task our trade officials to create a work plan for the next several weeks, so that both sides are able to clarify the initiative's various elements as well as seek the official and private sector support necessary to launch negotiations at the May U.S.-EU Summit.

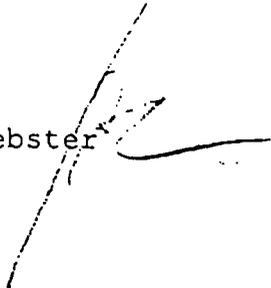
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ISSUE PAPER for 2/4/-7 Visit of British PM Blair:
"New Transatlantic Marketplace"

Drafted: EUR/ERA - Kathy Hadda
1/23/98

Approved: EUR/ERA - William Primosch
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TRADE ISSUES

I. CORE OBJECTIVES

- To urge that UK use its role as EU President to resolve three major issues threatening U.S. exports: the EU's **Specified Risk Materials ban**; slow EU approval of U.S. **biotechnology corn products**, and the EU's delayed implementation of the **Veterinary Equivalence Agreement**.

II. BACKGROUND

Despite our overall positive bilateral economic relationship, the United States and EU have had to manage a number of contentious trade disagreements in recent years. Because of the relatively open nature of each side's markets, these conflicts often involve differing standards for health, environment, safety, and biotechnology rather than tariffs or other traditional market access barriers. Three agricultural trade problems which typify these differences threaten to disrupt U.S. exports in the coming weeks. We are looking to the UK Presidency take leadership in resolving these issues with other EU members.

The EU's overly broad **Specified Risk Materials (SRM)** ban, designed to control the spread of mad cow disease (BSE), could cut off some \$5 billion in U.S. pharmaceutical, cosmetic, and other exports as at least \$10 billion in sales by U.S. firms in Europe. We seek exemption from the ban, as mad cow disease does not exist in the United States. In response to U.S. concerns as well as those expressed by EU industry and health officials worried about a sudden drop in the supply of essential medicines, the EU postponed implementation of the ban by three months, to April 1. Faced with its own industry pressures, the UK unilaterally imposed a more limited version of the ban on January 1, which has not seriously affected U.S. exports. U.S. officials continue to press our concerns with EU and member state counterparts, and are encouraging them to adopt scientifically-based policies which will protect public health without unnecessary disruptions to trade.

In November, the EU suddenly made applications for three new varieties of U.S. **biotechnology corn**, some of which have been pending for over a year, subject to review by a new EU committee. These products are now all intermingled with regular corn in the U.S. export stream, creating the possibility that the EU could soon deny entry to all U.S. corn and corn gluten exports, valued

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\$1.2 billion. EU officials have indicated that approval for the U.S. products may not be forthcoming until April, possibly too late to avoid serious trade disruptions.

The EU has still not approved a bilateral **Veterinary Equivalence Agreement**, which was slated for October 1 implementation. The Agreement would reduce impediments to trade in U.S. meat, dairy, and fish products. EU officials have cited concerns over proposed U.S. rules on the disease status of various member states as the reason for the delay. USDA has met repeatedly with EU officials on this matter, and the EU may approve the Agreement in March.

III. POINTS-TO-BE-MADE

- We remain seriously concerned about the EU's ban on **Specified Risk Materials**. There is no Mad Cow Disease in the United States, and we should not be subject to the ban.
- I hope the UK will lead other member states towards adopting policies which will protect public health without unnecessary trade disruptions. Failure to resolve this issue in the very near future could create a major trade conflict just as we are trying to launch a historic economic initiative.
- We also urge you to ensure that U.S. **biotechnology corn products** are approved as soon as possible, in order to assure that this, too, does not become a trade dispute in the coming weeks.
- I was encouraged to hear that Secretary Glickman and Commissioner Fischler made progress in their January 7 talks in Oxford (UK) on our **Veterinary Agreement**, and that their staff have continued to narrow our differences in subsequent talks. I hope the EU will implement the Agreement soon.

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ISSUE PAPER for 2/4/-7 Visit of British PM Blair:
"Trade Issues and Initiatives"

Drafted: EUR/ERA - Kathy Hadda

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CONFIDENTIALU.S.- EU COOPERATION ON LAW ENFORCEMENT, NARCOTICSI. CORE OBJECTIVES

- Advance U.S.-EU cooperative work in battling narcotics in the Caribbean.
- Undertake similar cooperative counternarcotics efforts in the Andean Countries.
- Improve U.S.-EU coordination to fight transnational crime in Eastern Europe and the Newly Independent States.
- Regularize our dialogue on organized crime with the EU.

II. BACKGROUND

A key objective in our New Transatlantic Agenda is to expand U.S.-EU law enforcement and counter-narcotics cooperation.

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Over the past year, however, we have made significant progress on a number of initiatives. The UK's simultaneous G-8 and EU presidencies provide the added opportunity to promote the maximum possible synergy between the two groups on law enforcement issues.

On 21-22 January 1998, the EU/US Task Force on Third Pillar Issues (Narcotics and International Crime) met in London. This marked an opportunity for both sides to review areas of potential and further progress and agreement during the UK Presidency. Initial discussions focused on progress in the cooperative effort to fight narcotics trafficking in the Caribbean, now moving to the implementation phase.

The UK also took the opportunity to lay out plans for Foreign Secretary Robin Cook's scheduled visit to the Caribbean and Latin America in February. Cook will not only be attending the all Caribbean Forum, but intends to travel on to the Andean region. The British see this as an opportunity to begin to expand U.S.-EU counter-narcotics cooperation to the Andean region, a key U.S. priority.

The meeting also covered cooperation on Organized Crime issues, particularly in Eastern Europe and the NIS. Internal conflicts within the EU and concerns over sensitivities in Eastern European successor states continue to hobble progress. The EU has pledged up to \$12 million to fight Organized Crime to the East, but has yet to develop a specific program.

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The U.S. signaled its commitment to work closely with the EU on organized crime. We are currently implementing an exchange of U.S. law enforcement and EUROPOL officials, to gain a better understanding of each side's capabilities. We hope to build on this initial exchange during the UK Presidency in order to lay the groundwork for a future liaison relationship with EUROPOL.

On November 21, the U.S. and EU formally adopted a joint initiative to prevent trafficking in women from and through Eastern Europe and the Newly Independent States. This initiative marks the first operational activity undertaken in the migration dialogue between U.S. and EU experts within the context of the NTA. Implementation in Poland and Ukraine will take place during the U.K. presidency. If the project is successful, we hope to broaden the campaign to other countries in the region.

III. POINTS-TO-BE-MADE

- We welcome the UK Presidency of the EU as an opportunity to expand our ongoing relationship with EU on Law Enforcement and Narcotics Issues.
- I thank you for your help in assuring a high level of cooperation in countering narcotics trafficking through our Caribbean neighbors to American shores.
- I look forward to working with you closely as we fight the scourge of drugs and the power of drug money and cartels in the Andean Region of South America.
- We need to do more together against the insidious and invasive problem of Organized Crime in Eastern Europe and the Newly Independent States.
- I understand the sensitivity of the Successor State issue in Eastern Europe and give you our pledge to fight with you against organized criminal elements in this key European region.
- The First Lady takes a strong interest in our work to prevent trafficking in women. We are gratified that the joint information campaigns in Poland and Ukraine are progressing smoothly, and look forward to their implementation during the U.K. Presidency. We hope to be able to expand the work in this important area under the NTA.
- We hope that your dual G-8 and EU presidencies will provide an opportunity to promote the maximum possible synergy between the two groups on law enforcement issues.

1/23/98

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CHINA ISSUES

I. CORE OBJECTIVES

- Provide overview of our bilateral relationship with China, emphasizing the importance of China and Hong Kong to resolution of Asian Financial Crisis.
- Urge British to ask China to release Chinese dissident Wang Dan and sign the International Covenant on Civil and Political Rights.

II. BACKGROUND

The United Kingdom will be deeply involved in China diplomacy this year. Foreign Secretary Cook visited Beijing January 19-21; the British have proposed to their EU partners that Prime Minister Blair host an EU-China summit this April on the margins of the Asia-Europe meeting in London (presumably with Zhu Rongji, who is expected to be China's Premier by that time); and Blair himself is tentatively planning to visit China in September.

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in coordination with us London is pressing the Chinese to take additional positive human rights steps before the UNHRC meeting. We recommend you stress to Blair our desire that the British reinforce to the Chinese the importance of releasing Wang Dan and signing the ICCPR. The Prime Minister will also be interested in hearing first-hand about President Jiang's visit last October, and any suggestions you have for Blair's trip to China.

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III. POINTS-TO-BE-MADE

- We fully support an EU-China summit on the margins of the April Asia-Europe Meeting (ASEM) in London. We especially need to engage with Zhu Rongji.
- During your China visit, demonstrations of respect for Jiang should pay dividends. He appears to genuinely want to engage.
- We plan frequent high-level meetings with China in 1998. I will make a visit to China later this year.
- On human rights issues, although we would like to avoid another confrontation in Geneva, we will support a resolution on China at the UNHRC in April unless China takes additional positive steps.

— It would be very helpful if you could reinforce to the Chinese the desirability of releasing political prisoners, particularly Wang Dan, and signing the International Covenant on Civil and Political Rights. These two steps would allow us to forego a resolution.

- The Asian financial crisis has highlighted China's growing economic importance and the continuing prominence of Hong Kong in the Asian economic scene. China's commitment not to devalue the renminbi is very important, pointing to its growing weight in economic affairs. We need to continue to draw China into the international economic community.
- U.S. and EU negotiators have closely coordinated their approaches to China in the WTO accession negotiations.

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Issue Paper for 2/4-7 Visit of British PM Blair:
"China Issues"

Drafted: EAP/CM: JLWayman 7-6819
1/21/98

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BRITAIN: NEW LABOUR -- THE FIRST YEAR

I. STATEMENT OF THE ISSUE

Since taking office May 2, Prime Minister Blair's "new" Labour government has stuck to its reformist agenda, introducing proposals for far-reaching social welfare and constitutional changes, and kept to its tough fiscal targets. Blair's toughest challenges have come not from the opposition Conservatives (who continue to war against themselves over Europe), but from the more socialist "old" Labour faction of his own party which is unhappy with some of his proposals to reform the welfare state.

II. KEY POINTS

- With the Tories in disarray, the most important political debate during Tony Blair's first year has been between the two main tendencies within his own Labour party: his "new" Labour moderates (the clear majority) who advocate "tough love" reforms and fiscal discipline, and the socialist "old" Labour wing which wants to undo past Tory benefit cuts.
- The new Labour leadership has, so far, stuck to its guns on both fiscal and reform issues, and has shown itself willing to discipline, or even expel, old Labour rebels who go too far.

III. BACKGROUND

Tony Blair came into office with the dual blessings of having not promised his supporters too much, and of having won a far greater majority than he (or anyone else) could have imagined. Labour's election manifesto called for constitutional reform (devolving power to Scottish and Welsh assemblies, a greater London Council, reforming the House Of Lords, etc.), and a complete overhaul of welfare, education and health care. Crucially in terms of its electoral support, Blair promised to stick to the fiscal targets set by the previous Conservative government. He, therefore, focused on reforms that required little new spending, and were heavy on "tough love." He pledged to shift the unemployment system toward moving the unemployed off benefits and into work, to be tough on crime, to get the schools to concentrate on teaching basic skills, to charge university students tuition, and to shift resources from welfare to improving education and skills.

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With the Conservatives still in disarray and at war with themselves over Europe, the main challenge Blair has faced has been from the old Labour left, which has opposed reforms that might lead to cuts in the existing health, welfare and education systems, and has sought to reverse some previous cuts imposed by the Tories.

Blair has proved to be a tough-willed leader, prepared to stand up to his left-wing critics, and even, if necessary, to expel them from the party (as happened recently to two Labour Euro MPs who opposed the leadership on electoral reform). He has insisted that keeping Labour's fiscal promises is essential if the party is to hold onto the political center and have a chance to win two full terms in office (a feat no previous Labour government has accomplished). More importantly, Blair has continued to argue that the old "nanny state" welfare system was enormously expensive and has demonstrably failed to help those in need. His willingness to take on his own internal critics has been very popular with the broad electorate, which continues to give him and his government high approval ratings (the highest at this stage in its term of any government since polling began).

Blair is aggressively building a new constituency for the party in the business sector, in part by assuring industry he will maintain a responsible and credible macroeconomic policy: he moved swiftly to grant the Bank of England independence in setting interest rates and clearly intends to uphold Labour's pledge to live within the budget aggregates of the previous government. The government carefully balances its traditional labor and new business constituencies: promoting employment is always closely tied to boosting competitiveness; work to establish a minimum wage is being vetted carefully with business; adherence to the EU's "social charter" is combined with strong calls for labor market "flexibility" in continental Europe. The government has also been somewhat cautious in its domestic economic agenda, often establishing advisory panels -- with substantial business participation -- to "review" existing policies (e.g., for energy, utilities regulation, transportation). The agenda may become more active on this as proposals come out in "white papers" over the next few months. Similarly, Blair has established -- and is likely to maintain -- a decidedly centrist international economic policy, emphasizing the need to adapt to the global economy and adopting a much more positive attitude toward UK participation in European Monetary Union while putting off a final decision to join until the next Parliament.

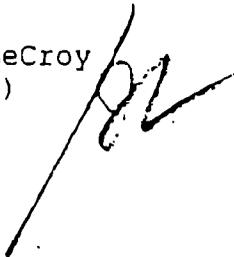
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BACKGROUND PAPER for 2/4-7 Visit of British PM Blair:
"Britain: New Labour -- The First Year"

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~~CONFIDENTIAL~~EUROPEAN MONETARY UNIONI. CORE OBJECTIVE

- To support a well designed and implemented EMU.

II. KEY POINTS

- The US has a long history of supporting European integration and continues to do so.
- A well designed EMU that keeps Europe prosperous, integrated and outward looking is in the U.S. interest.

III. BACKGROUND

A first-wave of EMU participants will be identified in the Spring of 1998 based on performance on five key economic indicators. Eleven EU countries are expected to participate. Greece will not meet the criteria, and initially the UK, Denmark and Sweden plan to opt out. The UK, however, is open to eventual membership, if the economic benefits are clear.

A UK goal is to remain a central player in EU economic decision-making while remaining outside the EMU. Outsiders will not be included in a restricted Euro-sub group that will informally discuss coordinated Euro-area policy. However, they will be briefed and included in discussion of issues of common interest. The UK is satisfied with this. The UK should remain a commanding financial center, given its head start and vast resources, but it will face more competition.

The USG believes that the composition and details of the EMU's operation are matters for Europe to decide. We remain supportive of European integration efforts. A single European currency that promotes a robust European economy which is open to world markets is good for us. We have stressed the importance for Euro participants of addressing structural economic issues since control over interest rates and exchange policies is ceded to a central body and fiscal discretion reduced.

The Euro should not will greatly affect the dollar's reserve role or U.S. interest rates for the foreseeable future. Adoption of the untested Euro should proceed slowly. The great depth, variety and liquidity of U.S. markets will not be matched easily.

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BACKGROUND PAPER for 2/4-7 Visit of British PM Blair:
"European Monetary Union.

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Assure Blair that we do not seek to become involved in the Falklands/Malvinas issue and we address regional arms transfers case by case within a context of restraint.

II. BACKGROUND

Although Argentina and the United Kingdom dispute sovereignty over the Falklands/Malvinas, their relations are otherwise excellent. Menem will visit the U.K. in late 1998. HMG considers the views of the islanders (strongly against any change in sovereignty) to be paramount, while Argentina stresses that it seeks sovereignty only through peaceful means. The U.S. takes no position on sovereignty and has avoided being drawn in as a broker by Argentina. The U.K. has shown no interest in U.S. involvement. The U.S. has been prepared to supply technical support for an Argentine initiative under which Argentina would pay contractors to remove mines from the islands. HMG, which opposes any Argentine presence during mine removal, is reviewing its demining obligations under the Ottawa treaty.

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The U.S. is marketing the F-16 and F/A-18 fighter aircraft to Chile; the UK has a share in the Swedish Gripen which is competing.

III. TALKING POINTS

- We are extremely encouraged by improved overall U.K-Argentine relations and hope this will also lead to progress on the Falklands/Malvinas issue, particularly with the visit of President Menem later this year.
- We do not seek any direct role in mediating this dispute. We would only consider such a role if both sides request.

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Approved: ARA/BSC:PFRomero ok
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ARA/PPC:ENolan ok
PM/SRP:PVan Son ok
EUR/UBI:JLecroy ok
P:APforzheimer ok
D:MSullivan ok
S/PGGalluc: ok

CONFIDENTIALUN ARREARS AND SECURITY COUNCIL (UNSC) EXPANSIONI. STATEMENT OF THE ISSUE

Assuming we get a UN arrears package this spring, we will need UK help to gain agreement on a lower scale for the U.S. of assessment. To increase our leverage, we want to slow the debate on UNSC expansion until we have an arrears package.

II. KEY POINTS

- When we obtain the necessary appropriation from Congress, we will need the U.K.'s help to reduce our share of the UN and specialized agencies' assessments. China is the most obvious country to pay more (it pays less than 1%).
- The UK and others view U.S. insistence on a ceiling of 21 members for the UNSC as a major obstacle to expansion. We need a UK commitment to help slow down the UNSC reform process to prevent other countries from trying to reach an agreement before we are ready to do so.

III. BACKGROUND

The U.S. owes the UN over a billion dollars in regular and peacekeeping dues. Last year, optimal Congressional agreement to pay a significant portion of these arrears fell apart when family planning-related language was attached to the legislation.

As part of paying our arrears, we seek reductions in the rate of assessment for funding the UN regular and peacekeeping budgets. We must reduce our UN regular budget assessment from 25% to 22% and cap the peacekeeping assessment at 25%. Any reduction in the U.S. assessments will mean EU countries and Japan have to pay more. Japan and Germany will not agree to do so without progress toward permanent UNSC membership.

However, progress within our 21 seat limit is very unlikely at present. Deep resentment over U.S. arrears minimizes whatever leverage -- short of a veto -- we might otherwise still have over the UNSC issue. While the UK will not want to hear it, it has become imperative that we slow down the UNSC process until Congress acts on arrears. Ultimately, agreement on dues will have to be a political decision at the highest level by our closest allies, the leading contributors to the UN. The UK is key, both to gaining Japan and Germany's acceptance of a slow-down and to bringing other EU members around to our scale reduction.

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BACKGROUND PAPER for 2/4/-7 Visit of PM Blair:
"UN Arrears and Security Council Expansion"

Approved:IO-PNlyman ok

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IO-MASheehan ok

IO/UNP-Wimbrie ok

P-PSMoon ok

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LIBYA/LOCKERBIE

I. STATEMENT OF THE ISSUE

Nine years after the Pan Am 103 bombing, the two Libyan suspects remain at large. The U.S. and U.K. have been under increasing pressure from the OAU, Arab League, and some UN Security Council members, including Russia and China, to resolve the issue and lift sanctions by holding the trial of the suspects in a third country.

II. KEY POINTS

- The U.S. and U.K. must move in tandem on this issue, in the face of increasing pressure to hold a trial in a third country.
- Some progress must be made on this issue to achieve our goals and to avoid causing damage to the UNSC system.
- U.S. Pan Am 103 family members are divided about a trial in a third country. The most vocal family members consider it a ruse by Qadhafi to get the sanctions lifted. The U.K. family members are flexible about a trial venue. They are more concerned that some kind of trial take place.

III. BACKGROUND

Qadhafi's primary policy goal is to end the UN sanctions. To that end, he has successfully lobbied sympathetic nations and organizations (OAU, Arab League) to resolve the Lockerbie issue by holding a trial of the two Libyan suspects in a third country. This proposal has garnered the support of nations for differing reasons: belief that the UNSC sanctions regime is a Western vendetta against a Muslim country; that the regime has not accomplished its intended goal of bringing the two suspects to trial and compelling Libya to foreswear support for terrorism; or that a trial in a third country is a genuinely fair solution to break the deadlock between the UN and Libya. Some states suggest that we "call Qadhafi's bluff" and agree to a trial in a neutral country.

Despite Qadhafi's efforts, the sanctions regime is not seriously threatened and our position, when heard, prevails. In response to an earlier U.K. invitation and subsequent pressure from some member states, the Secretary General dispatched a three-man mission to Scotland to ascertain the fairness of the

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Scottish judicial system. Their report concluded that the suspects would get a fair trial in Scotland. A second UN envoy was sent to Libya to listen to the Libyan government's complaints that the sanctions were imposing hardships on the Libyan people. The resulting mission report did little to bolster Libya's claims. Officials from Lockerbie met with NSC staff, State Department officials, and some Pan Am family members in November to begin planning events for the tenth anniversary of the bombing. The ceremonies are tentatively scheduled to take place in Scotland. The families may request participation by the highest levels of both governments.

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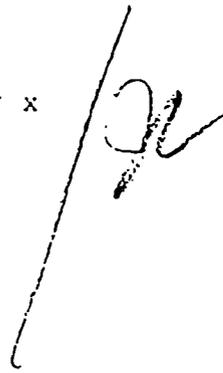
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Background Paper for 2/4-7 Visit of British PM Blair:
"Libya/Lockerbie"
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CLIMATE CHANGE

I. STATEMENT OF ISSUE

Several important issues remain unresolved after the Third Conference of the Parties (COP-3) of the Framework Convention on Climate Change, concluded in Kyoto, Japan, in December. Differences with the EU considerably complicated the negotiations, and we need to work intensely with the UK during its EU Presidency to make progress on outstanding issues in the post-Kyoto process.

II. KEY POINTS

- We are pleased with the agreement forged at Kyoto, and we look forward to working with you to address outstanding issues, including guidance for international emissions trading, mechanisms for more meaningful developing country participation, and the Clean Development Mechanism. We hope to make significant progress on those issues during the UK's EU Presidency in preparation for the Fourth Conference of the Parties in Buenos Aires this November.
- The U.S. ability to move toward ratification depends on an emissions trading system, a viable Clean Development Mechanism, and the meaningful participation of developing countries - including the prospect of them entering Annex B. We are concerned that the EU's approach to emissions trading is not conducive to making progress in setting up a trading system.

III. BACKGROUND

The Third Conference of the Parties (COP-3) to the Framework Convention on Climate Change concluded with the adoption of the "Kyoto Protocol." The Protocol contains many elements proposed by the U.S., but several important issues remain to be decided or refined by COP-4, to be held in November in Buenos Aires. Of these, most important are: progress in establishing rules for international emissions trading, the crediting of climate friendly investments in developing countries toward emissions reductions, and the meaningful participation of key developing countries in an effort to reduce emissions.

The UK has been one of the more balanced voices within the EU in the climate change negotiations. Nevertheless, we had serious

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differences with the EU position, which complicated negotiations considerably at Kyoto. We should aim early to mend fences with the European Union and work intensely with the UK during its Presidency in an effort to make progress on outstanding issues in the post-Kyoto process.

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Cleared:OES/EGC:JCPershing - ok
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OES:MLKimble - ok
EB:MMerida - ok
EB:VGreenfield (info)
E:APence - ok
EUR/ERA:KKvien - ok
G:RPrudencio - ok
S/P:Mionata - ok

LANDMINES: THE DEMINING 2010 INITIATIVE

I. STATEMENT OF THE ISSUE

The United States hopes greatly to accelerate global humanitarian demining operations by the year 2010 through a cooperative effort to develop, marshal, and commit the necessary resources and assistance efforts. Our objective is to end the plague of landmines posing threats to civilians.

II. KEY POINTS

- We need to bring together donors, demining experts, and assistance recipients to make tangible commitments to expand substantially operational demining and related programs of assistance.
- Participating countries must agree on mechanisms to enhance the exchange of demining information and technology.
- Our initiative seeks to optimize the use of worldwide demining resources.

III. BACKGROUND

An estimated 100 million landmines in over 60 countries cause about 26,000 casualties each year. The United States is a leader in global humanitarian demining, having spent more than \$150 million on humanitarian demining programs since 1993. With humanitarian demining programs in 17 countries, the U.S. expects to spend nearly \$82 million in FY 1998. However, at present levels of international effort, it will take several decades to remove these non-self-destructing landmines from the mine-affected countries of the world, further hampering economic development and extending mine casualties long into the next century. To respond to this global humanitarian catastrophe, the United States is calling for, and will coordinate a global campaign, the "Deminig 2010 Initiative," to eradicate all landmines which threaten civilian populations by the year 2010. This Presidential initiative aims to complement ongoing international efforts, like those of the United Nations and the Ottawa process, to assist landmine victims.

Our objective is to accelerate global humanitarian demining efforts. Our goal is to increase -- roughly by a factor of five -- to \$1 billion a year the public and private resources devoted worldwide to identifying and clearing landmines posing threats to civilians.

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The U.S. will update and reissue Hidden Killers, its baseline report on the extent of the global humanitarian landmine problem. Working with the United Nations, we envision a coordinating mechanism to allocate appropriate resources where they are needed most and maintenance of a database of landmines around the world.

The Clinton Administration has asked Ambassador Karl F. Inderfurth to serve as Special Representative of the President and the Secretary of State for Global Humanitarian Demining. Amb. Inderfurth will lead the "Demining 2010 Initiative," bringing together donor states, international organizations, non-governmental organizations, the private sector, and the mine-affected to expand substantially and to make more effective the global humanitarian demining effort. The Special Representative will provide leadership and a locus of coordination for the global demining effort. He will consult with the United Nations, other donor countries, mine-affected countries, international organizations, non-governmental organizations, and private individuals and corporations, to generate support for the "Demining 2010 Initiative."

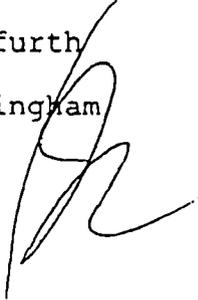
The U.S. will host a Washington Conference to bring together key players to develop consensus on an international mechanism for monitoring the global landmine problem and tracking and directing resources effectively. Donors, international organizations, regional organizations, and NGOs will participate to also lay the groundwork to improve sharing and access to demining information and demining technology.

The U.S. will continue to expand and enhance its Humanitarian Demining Program. Current plans are to increase funding from the previously budgeted level of \$68 million to \$82 million in Fiscal Year 1998. We will seek to further expand our commitment in 1999 and beyond.

BACKGROUND PAPER for 2/4-7 Visit of British PM Blair
"Landmines: The Demining 2010 Initiative"

Drafted:PM/ISP Updated:S/GHD:SBDavis x7-0595 1/08/98
SGHD\2010Factsheet.doc

Cleared:S/GHD:KFInderfurth
S/GHD:PClapp
PM/ISP:GKCunningham
P:BStephenson
S/P:DHamilton
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TALKING POINTS FOR POTUS-PM BLAIR MEETING

Security Council Expansion

Background: We are working with the P3&2 Group (US, UK, FR & Japan, Germany) in New York to hammer out a framework resolution for Security Council reform in 1998. There are two contentious issues. First, size of expansion - we are holding at 21 seats, while everyone else wants 24. Second, veto for new permanent members - we are firm that the veto question should not be considered until the new Council membership is determined. On the home front, we do not want action on Security Council reform to jeopardize timely Hill action of UN arrears legislation this Spring.

On the 24 seat debate, the UK is concerned that without progress this year, Germany will join Italy in pushing for one or more rotating seats for the EU—a move that threatens Britain's permanent seat on the Council. UK is pressing us to accept a 24 seat expansion.

On the veto issue, the UK agrees with us on deferring this question until the Council's new members have been determined.

Talking Points:

- I am determined to maintain momentum on Security Council expansion this year. However, early action on Council expansion in New York, especially if it is controversial with Congress, would jeopardize passage of UN arrears legislation this Spring. Nonetheless, I do not intend to allow this initiative to lead to a dead end.
- Therefore, we need to slow down the P3&2 process, giving us time to pass UN arrears legislation this Spring. This must be done without inducing any adverse action on Security Council reform, especially among EU members. The process is manageable, and we will collaborate with you over the coming weeks to orchestrate our efforts.
- Regarding the 21 seat limitation, I recognize we face opposition to our firm stand to preserve the Council's efficiency. However, as we see in the continuing Iraqi-UNSCOM crisis, Security Council efficiency is a decisive factor in responding to threats to international peace and security.

- As long as we focus the international debate on regional representation within the Council, I am confident we can overcome opposition to the 21 seat limitation.
- Regarding extension of the veto, it is premature to consider this critical issue without resolution on the remaining questions.
- The P3&2 Group is making progress toward resolving those remaining questions. Hopefully, we can have a framework resolution passed in the General Assembly in 1998.

UN Arrears

Background: UK has been consistently harsh in its criticism of the U.S. regarding our failure to pay UN arrears. The Brits have taken a tough line on full and unconditional payment of the \$1.5 billion we owe the UN.

Talking Points

- I was upset that Congress blocked our plan to pay about \$1 billion of our UN arrears because of domestic politics. We had worked long and hard with Senator Helms and other Republicans and I thought we had a deal.
- I intend to get supplemental legislation passed before May. My proposal includes over \$1.0 billion in arrears payments and only those conditions that all nations would agree to--most of them involving questions of national sovereignty.
- Congress will demand reductions in our assessment rates, once the arrears legislation is passed. I am seeking less controversial scale reductions of 22% in the Regular Budget and 25% for Peacekeeping at the UN.
- Once we get the legislation passed this Spring, I will need UK's help, especially with the EU, to have the General Assembly take action in June to allow us to pay our arrears.
- UK's influence will be decisive. We've put a tremendous amount of effort into closing the gap between what Congress will provide and what the General Assembly will accept. It will be a contentious debate, but progress can be made if we work together.

Landmines

Background

We are very concerned about the narrow approach the British have taken to implementing the Ottawa Convention banning landmines. Notwithstanding their signature of the treaty, we have urged them to seek a way to permit the use, stockpiling, and transit of U.S. anti-personnel landmines (until 2003) and mixed anti-tank systems (indefinitely) on British territory and in military operations with the UK. Perhaps one of the most crucial issues we face is that of U.S. mine storage on "prepositioned" ships in Diego Garcia, a British Indian Ocean Territory. Thus far the British have been fairly inflexible about looking for solutions within the Ottawa treaty that would continue to permit APLs and mixed munitions on our ships there. They are forward-positioned for use in a Persian Gulf contingency, where they were used in 1990. We need to make very clear to Blair that these systems are a critical military capability and that as long as they remain so, we need a mutually satisfactory solution that will allow them to remain on U.S. ships in Diego Garcia.

Points

- Share the goal of eliminating landmines.
- Took a tough decision last September not to sign Ottawa treaty. Did not get what we needed: transition period to phase out anti-personnel landmines and definition that would protect our principal anti-tank systems.
- Respect that UK has signed the treaty, but this presents complications in NATO and other regions where we cooperate militarily. Need your help in finding solutions.
- We have a large number of APLs and anti-tank systems on U.S. ships at Diego Garcia. Forward positioning very important for responding to crises, e.g., in Persian Gulf. We used them there in 1990 to help protect our flank in the "left hook" maneuver.
- Need your help in seeking a solution that allows you to meet your Ottawa Convention obligations and allows the United States to maintain its mine stockpiles in Diego Garcia.

[If pressed on U.S. plans to phase out APLs:]

- Outside Korea we plan to end the use of anti-personnel mines by 2003, but unless we can find alternatives we're going to continue to need our principal anti-tank systems. I cannot predict whether or when we will find comparable alternatives.
- These systems play no part in the humanitarian problem, since they self-destruct, but are critical to our military.

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U.S.-BAL TIC CHARTER

I. CORE OBJECTIVES

- Brief Blair on the Charter and on the Northeastern European Initiative (NEI).
- Urge support for improving Baltic integration prospects and strengthening cooperation in the region, including Northwest Russia.

II. BACKGROUND

The Charter you signed on January 16 with the Baltic presidents underscores our commitment to Baltic integration into European and Euroatlantic institutions but avoids pre-commitments to membership or timelines. The Charter symbolizes the historical closeness of the U.S.-Baltic relationship, and minimizes risks that the Baltic states might be discriminated against because of geography, history, and Russian opposition to their possible NATO membership.

We have launched the NEI as the next logical step in our relations with the Baltics, Nordics, and Russia. With an overall focus to improve Baltic qualifications for membership in Western institutions, we will help the Baltics become stronger candidates for integration; expand cooperation between northern Europe and northern Russia ("Hanseatic approach") to encourage Russian integration and change Russian attitudes; and broaden and strengthen cooperation for Baltic integration.

III. POINTS-TO-BE-MADE

- Signing this Charter tells the world that the U.S. and the Baltic states have a firm partnership and a clear sense of shared goals. It our affirmation that the Baltic states will not be left out of a democratic, prosperous, and undivided Europe.
- Without making a pre-commitment on NATO, we assert our support for Baltic efforts to join NATO, so long as they meet the criteria and NATO judges that they will make a contribution to its mission.
- The Charter also clearly signals our support for Baltic integration with such organizations as the EU, WTO and OECD.

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- We have long appreciated British support on these issues, and we should work together to find new ways to cooperate in areas where we can engage Russia in the region - trade, fighting organized crime, cleaning the environment, etc.

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Russia-Iran Missile Cooperation

I. STATEMENT OF THE ISSUE

Russian enterprises have provided technology and materials to the Iranian program to develop long-range missiles.

II. KEY POINTS

- The U.S. has mounted a major diplomatic effort to cut off cooperation between Russian firms and the Iranian missile program, including Clinton-Yeltsin, Gore-Chernomyrdin, Albright-Primakov, Wisner-Koptev, and many others. Helpfully, Blair has raised this problem with Yeltsin.
- In recent weeks, with President Yeltsin's personal involvement and direction, the Russian government has taken important steps. The most significant is an executive order signed by Prime Minister Chernomyrdin providing the legal basis to stop all transfers to foreign missile programs and programs for weapons of mass destruction.
- This subject will be taken up with Chernomyrdin at the GCC beginning March 9. Between now and then we are pressing Russia to stop all cooperation with the Iranian missile program.

III. BACKGROUND

Technology, components, expertise, and materials from Russian entities have substantially accelerated Iran's effort to develop a missile capable of striking anywhere in the Middle East and beyond. This has created a major security problem for the United States, Israel, and other nations, and a serious political problem with Congress.

The U.S. has made this problem a top priority with Russia. Intense diplomacy following the Clinton-Yeltsin exchange in Denver and designation of Wisner and Koptev as envoys in July has led to Russian decisions in January to establish new legal authority to stop transfers of sensitive technologies, to reconsider existing cooperative projects between Russian entities and Iran, to give new instructions to security services, and to explain in public the danger to Russia of proliferation and the steps the government is taking. We are pressing for implementation and enforcement of all these steps by the March 9 GCC.

The British, German, and French leaders have all raised this problem directly and forcefully with the Russian leadership, and this has been extremely helpful in making clear this is a global rather than U.S. concern.

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UK PROPOSAL FOR P-5 TALKS ON ARMS CONTROL
(FOR CONTINGENCY USE ONLY)

I. STATEMENT OF ISSUE

UK Foreign Secretary Cook has raised with Secretary Albright a proposal for P-5 consultations on arms control and disarmament issues as a means to demonstrate a positive arms control commitment and to facilitate preparations for the 2000 NPT Review Conference. We want to work with the UK to satisfy its interests, but in a way that does not cause us or the other P-5 problems.

II. KEY POINTS

- We agree it is important for the 2000 NPT Review Conference process to demonstrate a positive commitment to arms control and disarmament.
- It is not clear that P-5 consultations would be useful unless specific initiatives can be defined which would yield a constructive outcome.
- We look forward to receiving the British nonpaper on the proposal, which will provide more detail and will identify specific initiatives. It should enable us to provide a more definitive reaction.

III. BACKGROUND

UK Foreign Minister Cook has on several occasions raised with Secretary Albright a UK proposal for P-5 consultations on arms control and disarmament issues. The proposal emanates from the Labour Party election platform and is part of an effort by the Blair government to show a more positive attitude toward nuclear arms control. In London and Geneva, U.S. representatives (and French) have been skeptical in their reactions. However, on January 15, U/S Pickering gave Cook a more positive response concurring that talks, if they were to occur, should take place in Geneva. The UK has promised to provide a nonpaper outlining its proposal more fully, including any concrete arms control initiatives on which the P-5 could usefully work. One U.S. concern is that P-5 consultations for their own sake but with no identified objective could raise false expectations within the international community about prospects for progress on nuclear

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disarmament and could thus be counterproductive. This would be particularly true if the consultations were made public, as the British propose. On the other hand, the P-5 consultations that produced positive steps forward would be welcomed by many non-nuclear weapon states whose support has been critical to efforts to strengthen the global nonproliferation regime.

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ASIAN FINANCIAL CRISIS

Core Objectives:

- Get Blair's support for U.S./European collaboration on resolving the Asian crisis.
- Also want Blair's good offices in Europe's receptivity to working with us in the larger finance ministers' group in getting global fixes responding to the lessons learned from the Asian crisis.
- Reaffirm that the United States and EU must remain committed to free and open trade despite renewed protectionist pressures from Asian fallout.

Background:

The Asian financial crisis began in mid-1997 as a currency crisis and intensified as the year progressed, spilling-over to the real sectors of these economies, as well as to other emerging markets. The conditions which contributed to the emergence of the crisis had been building up for several years with the policy makers of several economies, particularly Thailand, receiving repeated warnings from the international financial institutions, as well as their bilateral partners, that their macroeconomic policy mixes did not appear sustainable.

Main Causes

By May 1997, Thailand was in the throes of the fourth speculative attack on the baht since August 1996. The build-up of financial difficulties and balance of payments pressures had then reached such a point that efforts to defend the baht could not be sustained. Pressures soon spilled over to other emerging Asian economies' currencies (especially the Malaysian ringgit, Indonesian rupiah, and Korean won). These speculative attacks shook financial market confidence elsewhere in the region, and in emerging markets around the world.

Each of the East Asian economies is unique, but their financial difficulties had some common roots. The first was excessive, poorly-matched, private sector borrowing in the years leading up to the crisis. Encouraged by exchange rate policies that pegged local currencies to dollar-dominated currency baskets, private corporations, banks and other financial intermediaries financed dramatic expansion by taking out short-term external loans denominated in either yen or dollars, and lending the proceeds in the local currency. Often, currency mismatches were compounded by duration mismatches: short-term external debt was used to finance long-term real estate and industrial investment.

These financial problems are indicative of another feature common to most of these economies: weak domestic financial systems. By and large, East Asian capital markets are underdeveloped, producing heavy reliance on bank lending. Banks in many of these countries are poorly supervised with weak accounting standards and low levels of disclosure and transparency. These weaknesses, coupled with a tendency to make loans on the basis of personal connections, or at

the direction government agencies, rather than on the basis of commercial viability and an assessment of credit risks, produced an over-building of the property sector in Southeast Asia and, in South Korea, over-capacity in many industrial sectors.

International and domestic response

Since mid-1997, four Asian countries (the Philippines, Thailand, Indonesia and Korea) have requested and received assistance from the International Monetary Fund (IMF), and from other international financial institutions and bilateral sources. The adjustment programs developed by the domestic authorities and the IMF have emphasized financial and structural adjustment measures, as well as macroeconomic adjustments necessary to restore financial market stability.

The Asian financial crisis has posed extremely difficult management challenges to the global community. First, the nature of the crisis has differed significantly from earlier "traditional" balance of payments crises, particularly in the changing role of market confidence and the speed at which some nations' financial positions have deteriorated. Second, expectations regarding the appropriate IFI and bilateral response to individual crisis differed significantly by region, and even within nations, particularly at the beginning of the crisis. Third, the political will (and/or ability) to implement policy reforms has been unusually weak in most instances, resulting in a failure to rapidly restore financial market stability. Fourth, initial failures to restore financial stability fueled a cycle of contagion and depreciation in the region.

Gradually, a consensus emerged on the broad outlines of responding to these financial crises. Essentially, the consensus affirmed that: [1] the IMF must be at the center of crisis response; [2] strong policy adjustment must be central to the response; and [3] bilateral support should be secondary to, and conditioned on an IMF adjustment package. The turning point in the consensus building process was reached at the Manila Meeting of deputy finance and central bankers in mid-November. The Manila consensus was affirmed by APEC Leaders in Vancouver.

This consensus was instrumental in providing the basis for the rapid global response to the sudden emergence of South Korea's balance of payments crisis. Even more significantly, this broad consensus enhanced the global community's ability to rapidly bring to bear pressure on domestic authorities to fully implement policy commitments. Impact of this pressure (and the domestic authorities' strengthened appreciation that there would be no bilateral support without the IMF) was evident in the late December revival and reinforcement of the Korean program.

Ongoing international initiatives to promote financial stability

Emerging economies play an increasingly important role in the global economy, and disturbances in these markets have a greater potential to affect the international financial system as a whole. Since Mexico's 1995 currency crisis, the international community has recognized a need to safeguard the global financial system against the risks of emerging market financial crises, and to devise an effective framework for dealing with such difficulties when they occur. The United States has strongly promoted these efforts, including a major review of the international financial architecture initiated by President Clinton at the Halifax Summit.

A key element of the international strategy is better crisis prevention, through better disclosure of financial data and enhanced systems of international and domestic supervision. At the September 1997 IMF/World Bank meetings, the United States urged the exploration of ways of expanding special data dissemination standards developed by the IMF after the Mexican crisis.

More broadly, a number of important initiatives are underway to help countries develop the effective supervisory and regulatory systems, and the strong legal and financial infrastructures needed to underpin a robust financial system and minimize the risks of crises. The Basel "Core Principles for Effective Banking Supervision", the end result of a 1996 United States-supported initiative, now provide a basis for countries to enhance the safety and soundness of their financial system. Similar standards for regulating securities firms are in the pipeline.

When crisis occurs, a credible commitment to sound policies in the country concerned is the first prerequisite for restoring stability. While decisive domestic adjustments are undertaken, external assistance can help restore market confidence and limit contagion effects in other markets. The IMF must remain at the heart of any international response to crises of this kind. It can provide apolitical finance conditioned on strong reforms. Such conditions are essential for keeping the responsibility to reform firmly on countries' authorities. They also help address "moral hazard": the risk that the existence of an international lender of last resort will encourage irresponsible behavior by international investors and countries facing a prospective crisis.

With the new IMF Emergency Financing Mechanism, and the quota increase agreed among member countries at the October 1997 IMF/World Bank meetings, the IMF would have increased capacity to respond decisively to crises. Important added resource capacity would be made available by a new emergency credit-line, the New Arrangements to Borrow (NAB). The Administration is seeking Congress' passage of legislation on United States participation in the NAB and on a needed quota increase for the IMF early in 1998.

Points to Make:

- Want your support for U.S./European collaboration on resolving the Asian crisis. Also want your good offices in gaining Europe's receptivity to working with us in the larger finance ministers' group, seeking global fixes responding to lessons learned from the Asian crisis.
- Understand importance of meeting U.S. funding commitments for the IMF; I am seeking Congress' action early this year.
- United States and Europe must remain firmly committed to free and open trade regardless of protectionist pressures spawned by the Asian crisis.

draft: R. Ritterhoff /M. Sobel /L. Quinn 1/27/98

UK ROLE ON EU AND EUROPEAN ECONOMIC AND MONETARY UNION (EMU)

Core Objectives:

- Emphasize importance to the United States that the nations of Europe continue to support policies for their own stronger domestic demand growth.
- EMU must not distract European nations from undertaking needed structural reforms.
- Want Blair's help in getting European nations to work with us on reshaping the international monetary system architecture.

Background:

- British PM Blair is EU President (based on a predetermined rotation) for the first half of 1998, when key decisions must be made to launch EMU. This is awkward since Britain chooses not to be an initial member.
 - Major's Conservative Government was very negative toward EMU. Blair is much more receptive and flexible, but not yet ready to lead Britain into EMU in the face of broad popular scepticism (some object that it would reduce UK sovereignty in favor of a supranational European government).
- The EU will take decisions in coming months on participation and procedures for the January 1, 1999, start up of the monetary union, when 10 or 11 of the 15 EU members (not including the UK) will trade in their own currencies for a common currency, the "euro."
- It is critical that these decisions do not distract European governments from taking steps to make macroeconomic and structural policies support stronger domestic demand and growth.
- Although each country will remain a sovereign state, each will cede certain traditional sovereign rights, including authority over monetary and exchange rate policies.
- To qualify for EMU, all countries were required to meet targets for controlling inflation, interest, government debt, and deficits.
 - Until last summer, there was widespread doubt that many countries would be able and willing to take the necessary measures to qualify, particularly controlling public deficits. It now appears that all EU countries will qualify with the exception of Greece and, possibly Italy. The final decision will be made during the EU summit, May 1-3.
 - The UK, Sweden, and Denmark will qualify, but "opt-out" initially. These

countries may join later, but will not do so until domestic popular opposition can be turned around.

- The most divisive issue during the next few months is expected to be the question of the admission of Italy. There is widespread concern, particularly in Germany and the Netherlands, that Italy cannot sustain the fiscal discipline necessary to qualify for EMU.
 - Italy has made tremendous strides within the last two year in bringing inflation, interest rates, and public deficits under control. But Italy's public debt, exceeding 120% of GDP (twice the U.S. level), and public deficits were brought below the 3% of GDP threshold by measures that were considered gimmicks by some of Italy's northern neighbors.
- A second divisive issue will be the selection of the president of the European Central Bank (ECB). Dutchman Wim Duisenberg, president of the European Monetary Institute, (the forerunner of the ECB) was considered a consensus candidate. Recently, the French (who distrust Duisenberg as the German candidate), have nominated Jean-Claude Trichet, Governor of the Bank of France. Although both men would be expected to take a nearly identical approach, the issue has caused some issues of international mistrust to surface.
- The Maastricht Treaty, which sets out the basic design of EMU, is ambiguous on certain questions of external representation. Most analysts do not expect the launch of EMU to pose any insurmountable problems in this domain. The Europeans need to work out certain issues among themselves, such as their proposed representation in the IMF and G7, before these issues can be resolved with their partners.
 - More important is how the Europeans would coordinate policies among themselves and chose a spokesperson (and establish authority) in case of an international financial emergency. This spokesperson would represent the EMU group in international dealings with other nations and groups.

Points to Make:

- Important to the United States and to global economic growth that the nations of Europe continue to support policies for their own stronger domestic demand growth.
- EMU must not distract European nations from undertaking needed structural reforms.
- Want European nations to work with us on reshaping the international monetary system to advance work on international monetary system architecture.
- I know UK and United States are together on each of these issues-- your role as EU President gives you special ability to advance each over coming months.

draft: OASIA/IMI - K. Austin 1/27/98

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G-7 AGENDA - RUSSIAN PARTICIPATION

Core Objective:

Handling the G-7 Birmingham Summit session without offending the Russians.

Background:

Russia will be seeking full incorporation to all G-7 meetings. Russia has already named a Finance Sous Sherpa for Birmingham preparations, and UK Sherpa John Holmes indicated that the UK was thinking about Russia's involvement in aspects of the finance ministers' discussions, and that the Russian Finance Sous Sherpa would expect to be included in various discussions, notably on Employability. (Note: The G-8 Finance and Labor/Education Ministers will be meeting February 21-22 in London on Employability).

We want to maintain the limits established in Denver preparations: there should be a G-7 session by Heads, Finance Ministers should meet as the G-7, and preparations for those meetings should be taken up by G-7 officials without Russia present. Specifically, Russia should not be included in discussions relating to core economic and financial issues, including the Asia crisis, nor in guidance to IFIs. The G-7 countries are net creditors to IFIs, and Russia a net debtor with a very different agenda for the IFIs than the G-7.

Certain other finance ministry topics -- financial crimes, FATF, and customs standardization -- while less sensitive, would be better handled by the G-7 for the time being, with possible review of Russian participation, in some future year. Russia's inclusion in the existing G-7 group would make the others reluctant to discuss sensitive law enforcement issues, thus Russia's presence diminishes the groups' usefulness. The focus of the customs initiative is the standardization of automated procedures. The Russian administration is much less advanced in this area than G-7 countries and would not be able to commit to automated processing. They would therefore slow down the implementation schedule and might also seek to open up issues already resolved.

Treasury is planning to convene a special finance ministers and central bank governor's meeting which would include countries from the G-7, emerging/transitional markets, and Russia. Although this raises questions of greater Russian participation, we believe that it is more appropriate to include Russia in a group such as this one where debtors and creditors can work together on issues affecting global markets. Russia would be better positioned to contribute to such a group than to the G-7, where all of the members except Russia are creditors.

Points to Make:

- It is vital for us to continue G-7 heads' sessions for issues such as the Asian financial crisis, and other core economic and financial issues.
- Our finance ministers must also continue to meet as the G-7.

IMF: SShah
January 27, 1998

SPECIAL FINANCE MINISTERS
(if raised)

Core Objective:

To brief Blair on a planned Special Finance Ministers meeting of Finance Ministers and Central Bank Governors in addressing issues arising out of the Asian financial crisis. (This is based on your commitment to Singapore Prime Minister Goh in Vancouver).

Background:

The proposed group is too large, and interest too diverse, to work effectively on the complex topics involved in strengthening the international monetary system. The detailed work going forward, in particular the sensitive topics concerning IMF and other IFI finance and programs, needs to be handled by "creditor" countries of the G-7.

Our strategy is to seek broad endorsement from the wider group of countries for the main elements of our approach to the crisis, building on Manila framework and discussions with G-7. This approach is centered on the IMF, where we have a clear leadership role and which has been responsive to our concerns and to the major international monetary events since it was set up 50 years ago. Its mandate has, and must continue to, evolve to match the changing times.

Given the mix of countries (many debtors, as well as creditors), this is not the appropriate forum for new initiatives on the architecture of the international monetary system.

Note: These plans expand upon Prime Minister Goh's suggestions, making the meeting's orientation and objectives global rather than Asian.

Points to Make:

- Treasury Department has been working closely with your government and other G-7 governments on a Special Finance Ministers and Central Bank Governors meeting representing 22 countries; expect that this will happen in latter part of April.
- The meeting is responsive to the concerns of those, especially in Asia, worried about the repercussions from the Asian financial crisis on other economies. It will include the G7 and key emerging economies (Latin America, Eastern Europe, Africa, as well as Asia).
- Purpose is to examine what can be done to improve prevention and management of financial crises and promote better functioning markets.
- This is a special, one-off event, not the start of a process. Recognize there is some overlap with work in other fora (G-7, Interim Committee), but useful to have a broad-based group of affected countries focus on these issues.

IMF: SShah
January 26, 1998

File: Blair Call



a1676
^BC-MIDEAST-NETANYAHU-SUMMIT URGENT
^Netanyahu won't attend Washington talks on Monday
JERUSALEM, May 8 (Reuters) - Israeli Prime Minister Benjamin Netanyahu will not be in Washington on Monday to attend key Middle East peace talks with U.S. President Bill Clinton and Palestinian President Yasser Arafat, a spokesman said on Friday.
"The chances of our being there on Monday are nil," Netanyahu communications chief David Bar-illan told Reuters hours after the prime minister held talks with Clinton's Middle East envoy Dennis Ross in Jerusalem. ^MORE

RB-- 05/08/98 12:56:00

(Cmt.) Oh shit, you know they will.
That's exactly where Israelis are - 80% right there.
alright my friend.

Dotus - Blair call
start-1352 end-1413

- < How are you
- In Durham? (Love Cathedral)
(still have clowning level)
- Looking fwd to seeing you
- you + Major together had to help some
- They didn't want to give Paisley some
protect ("he's the guy gave Adams
USA" - "crap")
- We released few things yesterday -
could you them up + talk some.
- Think should dojt. announcement
- Can't be in govt if don't
- Can't just be me - would screw things.
Major's abandonment by Dick - Jones case

Griffithman call

1414
1424

- worried about Brit getting Henry
- Only reason I wanted to go - not under illusion they love me. If we say it in B'ham ... might have edges to get there (close enough by)
- Put that out yesterday.
- He's good, the old bastard; have to give him that. (Th 14)
- What will be their voting percentages?
- If they end up being violent again, you're screwed.
- Yesterday, had WAVE group in. Want decommunism if going to implement + give them role in govt - to say we glad to have demos of good faith
- One idea (from WAVE): 20 former police or hated by IRA killed, whose remains never uncovered. If no named. Decomm - if IRA could produce names - huge psy. impact - wish you'd look into it.
- Legal prob's for you? W/in 72 hrs of vote.
- Going to do it but tell me what your prosecutors would have to do. 'Only 20. They think they know who buried. I could communicate it to Adams (if you can't say it.)' Breathing space -
- Re econ. st. - I'll do it; whatever you think best (like you call.

Potus wants to call **Steve Grossman**

Prob. better sooner rather than later. Looks less desperate. Ma Z (SF + econ). You orchestrate it.

1345 - call w/ SB 3 min
 Potus - "He was ambushed, then?"

- What'd you make of Det? (Madeline said you were good, but it's a pain.)
- I spent a lot of time over last year. Hard neg. but not a "no" negotiator. Had took req. for Dennis as a good sign, May all be negs. - always exp. he wouldn't come Mon - maybe after Eur - I'll update you after Ross returns, but prob. will wait til Europe
- Arabat said 'yes' - Bibi "not yet" - Good cop/bad in rel. Ulema case when Eur. could bump him harder. Finally got him on Hebron last yr - but like pulling teeth. But coalition more restricted. Will keep working

McClellan, Christina L.
 O'Shaughnessy, Patrick
 Papadimitriou, Marianna
 Payne, Raymond H.
 Rathke, Jeffrey D.
 Rice, Sean P.
 Schrader, Joel M.
 Sigler, Ralph H.
 Smith, James A.
 Unrue, Michael
 Wright, Joseph (Larry)

TEXT_BODY

POTUS spoke to French President Chirac from 1252-1335 EST.

Notetakers
 included the Sit Room plus Nancy McEldowney, Don Bandler, and
 Rexon
 Ryu.

The EUROPEAN Directorate is responsible for preparing the
 final memcon package and forwarding it to the Executive Secretary
 within 48 hours.

TRANSLATED_ATTACHMENT

Chirac022398.doc
~~CONFIDENTIAL~~

DECLASSIFIED
PER E.O. 13526
 2013-0804-M
 05126116 KDE

MEMORANDUM OF TELEPHONE CONVERSATION

**PARTICIPANTS: THE PRESIDENT
 FRENCH PRESIDENT CHIRAC**

LOCATION: OVAL OFFICE

**NOTE TAKERS: JAMES SMITH, PAT O'SHAUGHNESSY, TOM
 CROWELL, BONNIE GLICK, JEFF
 RATHKE, DON BANDLER, NANCY MCELLOWNEY, REXON
 RYU**

INTERPRETER: MARCEL BOUQUET

DATE/TIME: 23 FEBRUARY 1998/1252-1335 EST

THE PRESIDENT: Hi, Jacques.

PRESIDENT CHIRAC: Hello, Bill. How are you?

THE PRESIDENT: I'm fine, how are you?

PRESIDENT CHIRAC: I'm fine. Congratulations, because frankly you proved right to take a very firm position on the Iraq affair. Because I think we can say, speaking publicly, that what we were all trying to achieve has been achieved. But of course, we are looking into the details. In particular, the question of the inspection of all the presidential sites and as often as we wish and as long as we wish. I recognize that exerting pressure has proved fruitful.

THE PRESIDENT: Thank you. Let me say, I think the combined efforts of the threat of force and the diplomatic efforts you and Boris Yeltsin made, where you were firm in private, but opposed force publicly, the two things worked together. I'd like to talk to you a little bit about the proposed agreement, if you have the time.

PRESIDENT CHIRAC: Very good, I'm listening.

THE PRESIDENT: I have now had a chance to review this agreement and I think it is potentially adequate and quite faithful to the Perm Five position that Kofi Annan took to Baghdad.

PRESIDENT CHIRAC: Yes, that is also my impression

THE PRESIDENT: Do you have a copy of the memorandum of understanding before you?

PRESIDENT CHIRAC: No, I have not yet gotten a copy of the agreement. The French Ambassador to the UN in New York just telephoned me and told me of its contents, but I expect a copy very soon.

THE PRESIDENT: Let me just tell you what my concerns are, very briefly. In paragraph 4 of the agreement, the memorandum of understanding, it deals with the inspection of presidential sites. It says there will be a special group to inspect them, established by the Secretary General in consultation with Mr.

Butler and the Director General of IAEA and that the group will be headed by a commissioner appointed by the Secretary General. It says the group will operate under the established procedures of UNSCOM and the IAEA and specific detailed procedures developed, given the special nature of the presidential sites, but they will be consistent with the relevant UNSC resolutions.

Now, my observation is, the commissioner should be a person with recognized technical expertise so we don't raise a question of this becoming a political rather than a technical inquiry, and also whatever detailed procedures are adopted must still allow genuine inspections.

Now, paragraph 5 of the memorandum is very good from my point of view. It says that the UN and the Government of Iraq agree that all other facilities, equipment, records and means of transportation are subject to existing UNSCOM procedures.

PRESIDENT CHIRAC: Yes, on our part, we had insisted strongly on that particular point.

THE PRESIDENT: And that's very good, because some of these sites UNSCOM had been denied access to are not presidential sites. The most important is the Ministry of Defense, probably, but there are several sites that UNSCOM has been denied access to that were not presidential sites, so that is very important. Now, here's why I mentioned that. The introductory part of this memo says the Government of Iraq undertakes to accord to UNSCOM immediate, unconditional and unrestricted access, but in the performance of its mandate, UNSCOM will respect Iraq's national security, sovereignty and dignity. Now, my concern is simply this: I don't believe that language should lead to another round of negotiations with Iraq over the status of nonpresidential sites and I don't believe that Kofi working on procedures should lead to another round of negotiations.

We don't need further delay here, and I hope you could support that.

PRESIDENT CHIRAC: Yes, I entirely agree with you.

THE PRESIDENT: Okay. Two other issues I wanted to raise with you. I strongly believe -- we have done this twice in the last year and the U.S. cannot afford -- and I don't believe the international community can afford -- another incident where we have to move a carrier group into the Gulf. It is expensive, economically expensive and politically expensive. It would be very helpful if we could get a Security Council resolution that says that if this agreement is violated it is a material breach and serious consequences will follow. That way, we don't have to do this all over again.

PRESIDENT CHIRAC: Was that your last point, Bill?

THE PRESIDENT: No, my last point is simply this. I believe we need to have an early test of this. We shouldn't have a lengthy delay. All of us should encourage Kofi and Butler to move quickly and start to activate the agreement as quickly as possible. I understand Butler has problems, he can't just send people to Iraq overnight, but I think we need to test this agreement quickly.

PRESIDENT CHIRAC: Bill, I would like to make one or two remarks, if I may.

THE PRESIDENT: Yes.

PRESIDENT CHIRAC: First of all, Saddam Hussein thought he could cheat on this. He was subjected to maximum U.S. pressure, and he had to give in. Bill, I think we can say that the whole of the international community and particularly the Arab world completely understood the sense and importance of American pressure. So from there on, Saddam Hussein, faced with all these pressures, military and political pressures, got the message that he was wrong and that he was mistaken. And thanks to Kofi Annan being adroit in this, I think Saddam Hussein finally

accepted almost everything we were trying to get him to accept.

The main point being that all sites can be visited as often as UNSCOM wants. I

think this is a major victory for the U.S. and for the international community.

I agree with you we should make it known as quickly as possible that there is agreement. I am a little worried about the upsurge of negative attitude by Arab

public opinion against the West. I think we should reach agreement on this

really very quickly.

On the various points you raised, with exception of automaticity, which I will go

back to in a moment, on all the other points I quite agree with you.

And I don't

think we could have expected to get anything better, and with this UNSCOM will be

able to go about its work as it wishes to. Especially as the people who have

been doing the measuring on behalf of the UN have realized that the actual

surface areas of these sites are not as extensive as originally thought.

So in

order to stop the negative attitude on the part of the Arab world and to prevent

that from developing, it's important that the Security Council should make up its

mind quickly.

Two problems. The first I would call the details, technicalities that would have

to be improved. So, my view is what we should say is we agree with general

agreement with Kofi Annan and, as far as the details are concerned, they can be

sorted out as they come out. And the second problem, far more important, is what

you call the material breach. Obviously, it is very difficult to talk about

something being automatic, it is something that world public opinion has trouble

accepting. But our British friends have made a proposal which I thought was very

interesting. Instead of talking about material breach, they had phraseology that

said the same thing but in more diplomatic terms. I think the British proposal

talked about the most serious consequences and I think it would be far easier to get agreement from the 15 Security Council members on that British phraseology, bearing in mind it means the same thing but is more diplomatic. Especially after the victory won over Saddam.

THE PRESIDENT: The only thing that bothers me is I simply cannot afford to do this again. Twice in the past year to get him to comply, I've had to move the U.S. Navy into the Persian Gulf. It cost a lot of money, and political and military effort, as well. He has to know in no uncertain terms we can't go through this a third time, every time he wants to jerk the world community around. The material breach is unambiguous, and I would have thought the Brits favored that. The next time, I have to act, to do something, and I am looking for something to maximize the chances there won't be a next time, to maximize deterrence, and I won't have to do anything.

I also -- let me say that I'm under the impression that Tony Blair agreed with us. I just talked to him and will talk to him again. The other point is the stronger language, the material breach language, would make it easier to be more flexible on the proposed package. It has an impact on the overall package.

PRESIDENT CHIRAC: Bill, I just picked up the British proposal made a few days ago in the Security Council, and their suggestion was to have instead of the words "material breach," the words "the most serious consequences" would be used. And in the last message I sent to Saddam Hussein, making it quite clear there was nothing to negotiate and he just had to accept what he was asked to do, I indicated that whatever the wording was, "material breach" or "serious consequences," it meant exactly the same thing and it meant he would have to comply fully, otherwise a strike would take place. But my feeling is

the British wording is more diplomatic. It changes absolutely - it doesn't change reality at all but, and that point must be made perfectly clear, that explanation means exactly the same thing, but is a politer way to say it.

THE PRESIDENT: Well, how would we go about saying it means the same thing?

PRESIDENT CHIRAC: Simply by explaining what I just said, which is what I already said to Saddam Hussein: whatever the wording is, the meaning is exactly the same and the first thing he does out of line will lead to a military strike. It is a question of polite diplomacy or diplomatic phrasing, but the point must be made that it means exactly the same thing and this must be said publicly and we must all say it together.

THE PRESIDENT: Well, let me make a suggestion. Would you also discuss this with Tony Blair, and then we can talk again perhaps in the next - excuse me. Let me ask you this, two things: one is to talk to Tony Blair and secondly, would you be willing to say what you just said publicly, what you said privately?

PRESIDENT CHIRAC: Yes, no problem. I entirely agree I can say this publicly. I am prepared to say this alone or with the four other members of the Security Council under any format you would prefer.

THE PRESIDENT: I think if you say it separately it is more powerful. People view you as an independent voice on this.

PRESIDENT CHIRAC: I am perfectly prepared to say this, write it, and confirm it in writing to Saddam.

THE PRESIDENT: Thank you. You talk to Tony.

PRESIDENT CHIRAC: Yes, I am calling Tony right now.

THE PRESIDENT: Great and we'll get back together on this. Goodbye.

PRESIDENT CHIRAC: Goodbye.

4

Exchange Mail

DATE-TIME 11/24/98 5:29:03 PM
FROM Osius, Theodore G.
CLASSIFICATION ~~SECRET~~
CLASSIFICATIONREASON 1.5(d)
DATECLASSIFIEDON 11/24/1998
DECLASSIFYON 11/24/2008
SUBJECT Jiang memcon [~~SECRET~~]
TO Roberts, Michael W.

CARBON_COPY

TEXT_BODY

Cleared by NSC.

**DECLASSIFIED
PER E.O. 13526**

2013-0804-M

05/26/16 KDE

TRANSLATED_ATTACHMENT Jiang memcon_.doc
MEMORANDUM OF CONVERSATION
VICE PRESIDENT'S MEETING WITH
CHINESE PRESIDENT JIANG ZEMIN

U.S. Participants: VPOTUS, Ambassador James Sasser, Leon Fuerth, Ambassador Charlene Barshefsky, Agriculture Secretary Dan Glickman, Lael Brainard, Ken Lieberthal, Maria Echaveste, Richard Fisher, A/S Stanley Roth, A/S Tim Geithner, Richard Saunders, Alex Arvizu, Ted Osius (notetaker).

Chinese Participants: President Jiang Zemin, Foreign Minister Tang Jiaxuan, Trade and Economic Cooperation Minister Shi Guangsheng, others
November 16, 1998, 11:30am-1:30pm, Shangri-La Hotel, Kuala Lumpur, Malaysia

Introduction

Vice President: I brought you greetings from President Clinton. Because of the situation in Iraq, he had to remain in Washington.

President Jiang: I am very pleased to meet with you.

CLINTON LIBRARY PHOTOCOPY

Vice President: I know of your love of poems from the Tang Dynasty Poetry. I would like to read to you a poem by Wang Zhihuan:

"At Heron Lodge"
Mountains cover the white sun,
And oceans drain the golden river;
But you widen your view 300 miles
By going up one flight of stairs.

The poem reminded me of going one step up to meet you.

President Jiang: You always impress me with your knowledge of Asian culture and Chinese poetry. It is a pleasure for old friends to meet again. [Smiling, Jiang corrected the VP's pronunciation of the poet's name.] I read your book, Digital Earth [sic].

Vice President: During my last visit to Beijing, I spoke with your colleagues about the global environment. I have been very much concerned about the recent terrible floods. I compliment you on your heroic response [to the floods] and on your long-term response, which includes planting trees and preserving the environment.

Iraq

Vice President: May I briefly describe for you the outcome of the Iraq crisis? [Jiang nodded assent.] Temporarily, this was a victory for peace and for the international community's resolve to prevent Saddam Hussein from obtaining weapons of mass destruction. I'll leave with your advisers details of the crisis' resolution. I'd would rather leave this paper with you for your convenience than go over it in detail now.

Bilateral relations

President Clinton has not yet stopped talking about his trip to China. The two summits accomplished a great deal in putting relations on a sound basis. But we

cannot rest on our achievements, and must commit ourselves to further real progress.

The President asked me to discuss with you what we can accomplish in the next year. But I wish to defer to your agenda.

President Jiang: Although President Clinton was unable to come to Kuala Lumpur, it is still a great pleasure for me to meet with you and to exchange views about relations between our nations. This is our second meeting at an APEC forum; the first was in Japan. There have been increasingly frequent contacts between our two countries. The relationship continues to grow.

In June, President Clinton paid a successful visit to China, helping promote the development of U.S.-China relations. The two sides worked together toward a constructive strategic partnership, creating the foundation for a relationship carrying into the next century. China-U.S. relations continue to expand with a good forward momentum.

While the financial crisis has ramifications for the entire Pacific Region, China-U.S. trade has had a positive impact on the region's economy. In one month, we will mark the twentieth anniversary of the establishment of U.S.-China relations. The relationship has had different vicissitudes, and today's relations did not come easily. Mutual respect for territorial integrity has led to a steady growth in China-U.S. relations. Past experience tells us it is natural for countries to have differences; it is right to address these differences with an attitude of mutual respect. Together we can work to expand areas of common ground and develop further areas of cooperation.

Both countries should seize the opportunity and work on the basis of the Three Communiqués and the Joint Statement to build a constructive, strategic U.S.-China partnership, and even more progress in the next twenty years.

Taiwan

I would like to talk about two issues of concern to China. The first is Taiwan.

When President Clinton visited China, he reiterated the One China policy and his respect for commitments made under the Three Communiques. As long as those principles are observed, the question of Taiwan will not interfere in the U.S.-China relationship.

Recently, there have been new developments and progress in cross-Strait relations. C.F. Koo headed a delegation to the mainland, where the two sides held extensive, candid discussions. There has also been an increase in exchanges between the Taiwan and mainland communities. My meeting with Koo held great significance for improving relations across the Taiwan Straits.

The PRC is sincere in its determination to resolve the question of Taiwan.

During the meetings, the PRC made four points clear:

- 1) The shrinking international space for Taiwan is inevitable and will continue.
- 2) Reunification of the two sides is necessary for safeguarding state sovereignty and territorial integrity, and is not a question of democracy. China's goal is for peaceful reunification of the country under the principle of one country, two systems. This will not result in Taiwan-style democracy on the mainland.
- 3) It is better to talk than not to talk, and sooner rather than later.
- 4) The One China principle is the basis for establishing relations. The position of China remains unchanged on this, the supreme principle.

Sometimes people state the One China principle when they are really advocating separatism. The four points conform to a consistent PRC position on restoring cross-Strait dialogue. Under the One China principle, anything can be discussed;

that principle holds the key. As a first step, negotiations can occur under the One China principle.

This reasonable and workable proposition has not yet been received positively by Taiwanese authorities. Koo's position has not changed from that of the Taiwanese separatist authorities. I hope the U.S. will support the PRC's goal of peaceful and early reunification. Doing so would promote U.S. interests and regional stability.

Tibet

Now, the second problem: Tibet. We reiterated the PRC position when President Clinton and I held a joint press conference. I do not intend to repeat all I said then.

After President Clinton's trip, the Dalai Lama engaged in many activities. Western countries do not have a clear understanding on the question of Tibet. During the joint press conference, President Clinton said he trusted the Dalai Lama. I myself refrained from stating that I distrust the Dalai Lama very much. Since President Clinton was in China as my guest, it would have been impolite to say what I believed on that occasion. Now, with no journalists present, I can speak directly. In our view, the Dalai Lama is a two-faced figure who employs deceptive methods and maneuvers. It is important, not to listen to what he says but rather to watch what he does.

I'm now going back to the history of events in 1959 and the Dalai Lama's flight from Tibet. At that time, Chairman Mao was still alive. While the PRC had every reason to "deal with" the Dalai Lama at that time, Mao decided to let him go. At one point, the Dalai Lama said he would support PRC policy, but instead he took an opposing position in support of the rebel forces.

The truth is not clearly understood by the U.S. Among friends, I want to talk about what is true. The truth is that the Dalai Lama and his followers have not given up the cause of Tibetan independence and splitting the motherland. That is their real agenda. In its statement about the political separation of Tibet, the "so-called" government-in-exile declared that Tibet would withdraw from China and establish a presidential system. Its internal program of action is to continue making all possible attempts to separate from China. The Dalai Lama seeks to establish a Greater Tibet in four Chinese provinces, and he has tried to use religion to turn Lhasa into a religious holy land for the world, like the Vatican or Mecca. He is not sincere [in his discussions with us], and still maintains that Tibet is not part of China. His agenda is political, not religious, and he is part of a separatist group.

The Dalai Lama is not a religious figure, but a political figure. On the question of talks with the PRC, he has shown no sincerity. He has not stated his willingness to give up separatism, nor has he recognized the PRC as the sole legal government of China. He is still trying to use the question of dialogue to mold public opinion. The Dalai Lama's real purpose is to deceive those who do not know the real picture. But he cannot succeed in either Tibet or in China.

Before the Dalai Lama's recent visit to the U.S., he went everywhere saying he would issue a statement responding to my call asking him to recognize Tibet and Taiwan as integral parts of China. Those reports were not true. While our policy remains consistent, the Dalai Lama changes his views according to the situation. He has not abandoned his cause of independence. The PRC policy toward the Dalai Lama is clear-cut and consistent. It is not that we are unwilling to talk, but he must give up his goal of independence, stop his separatist activities, and recognize the PRC as the sole legal

government. Then doors to negotiations will open. Judging from what we have seen, he cannot do that and will only resort to deceptive maneuvers.

Now Tibet has a favorable situation: economic development, social progress, ethnic solidarity and political stability. We have abolished the reactionary feudal serf system. The Dalai Lama, on the other hand, is trying to return to a theocratic serf system. The PRC is trying to develop Tibet, and we respect the fine cultural traditions of Tibet. We support education, science, health care and religious freedom. In the past 47 years [since China's invasion], then the past 39 years [since the Dalai Lama's flight from Tibet], and in the past 20 years since economic reform was introduced, Tibet has undergone earthshaking changes and made enormous progress. Tibet is an inseparable part of China and recognized as such by the world community. Anti-PRC elements use the Tibetan independence issue to pressure the PRC government. The PRC is therefore opposed to the Dalai Lama going to any country to engage in political activities. We are opposed officials meeting with the Dalai Lama no matter what the form.

There are many bilateral issues requiring our attention. The U.S. should have a clear understanding about the Dalai Lama and safeguard the bilateral relationship. The U.S. should honor its position that Tibet is part of China and say you will not support Tibetan separatist forces or do anything to harm the Chinese people. [At this point, President Jiang turned to the Chinese delegation and addressed his remarks to them.] We have held detailed discussions on the matter of Tibet with many world leaders, including Presidents Nixon, Carter, Bush and Clinton, as well as French President Chirac and PM Jospin, German Chancellor Kohl, and UK PM Blair. Our discussion today has been lengthy. In the future, I'll say I've said it all and will not add any more.

Religion

Let me make a few brief remarks about religion. I also studied how religion began and its future prospects. I have received the three religious leaders [in the U.S. religious leaders delegation earlier this year]- met and talked with them. I said that, in the PRC, people have freedom to believe or not to believe.

It is not our role to strengthen religion but gradually to dilute the role of religion. I have studied science and technology, and think religion will

dissolve. While my position is to allow freedom of religion, I have no intention

to strengthen religion. Great scientists such as Einstein and Newton believed in

God. Theirs were different from normal religious beliefs. I said to the three

religious leaders that we recognize missionaries did some good charity work.

They played a negative role, too, when allied forces invaded China.

The majority who possess religious beliefs in China follow Buddhism, which

originates in India. There have been scandals, however, in some Buddhist

temples. I read Victor Hugo's Les Miserables, the novel about an archbishop's

illegitimate son. The activities described in the novel were different, but by

no means positive. I have good friends with religious beliefs, and I cross my

hands to show respect, but I myself do not believe.

Vice President: I consider you a good friend, and I believe in God. I appreciate your tolerance of my belief.

President Jiang: I was talking with the visiting Italian President, who is

Catholic. I told him though I am an atheist, I enjoy the Ave Maria.

[Vice

President hummed a few bars of the Ave Maria.] There may be a lot we can

discuss about religion, but the Dalai Lama is not a religious issue. [In English]: I talked a lot, but very frankly.

Vice President: I need to write a new poem: "I climbed a flight of

stairs but see
more than 300 miles - all the way to the Himalayas." I wish we had an

opportunity to discuss science and religion. It is one of my favorite subjects.

I think the split between science and religion is the most important philosophical question in our world today. However, in the interest of furthering our important relationship, I would like to respond briefly to your comments.

Taiwan and Tibet

U.S. policy toward Taiwan and Tibet remain unchanged. What is important is that

our policies that affect each other's interests be predictable and consistent.

We feel that our policies meet these criteria. On Taiwan, we have sent Cabinet-level visitors to every meeting of the U.S.-Taiwan Business Council since

1992, including four times in Taiwan. The Richardson trip is consistent with pattern.

On Tibet, the President has dropped by meetings with the Dalai Lama during his

past visits to Washington. We used a similar format this year.

[Interpreter

interrupted to translate "dropped by," and Jiang made clear he knew what it meant

- in English.] This time, in fact, he did not drop by my office, but Mrs.

Clinton's office.

On legislation, the Clinton Administration assured that bills that could have

done real damage to relations did not pass. Bills that did pass do not fundamentally affect our relations - and do not represent our policy.

The President and I are pleased with reports of recent developments in

cross-Strait discussions. We hope for further constructive dialogue and

cooperation across the Strait. There has been no change in our policy regarding

conduct of unofficial relations with Taiwan. Cabinet-level visits are in the

context of the economic ties to Taiwan that the U.S. and PRC agreed would

continue at time of normalization. There has been no change in our

policy
regarding arms sales to Taiwan. No decisions have been made on
provision of
high-altitude Theater Missile Defense to Taiwan.

Regarding Tibet, the President and I believe that the only way to
overcome
distrust is through dialogue between authoritative channels. Without
such
dialogue, the actions each side takes are subject to misunderstanding.
We
honestly believe the Dalai Lama wants reconciliation between
Tibetans and Chinese
and is not seeking independence. The President and I would like to
work with you
to overcome this distrust, but we would like to have a private channel
of
communication to discuss this. We want to be helpful.

With your permission, I want to talk about areas where we have
shared interests.
This does not mean ignoring differences, but I believe extended
discussion today
of long-standing U.S. policies that have not changed would not be
useful.

President Jiang: [In English]: Please, go ahead.

Invitation to Zhu Rongji and Climate Change

Vice President: On behalf of the President, I would like to invite
Premier Zhu to
visit
the U.S. in April. I will be heavily involved in the visit since, with
Premier
Zhu, I will co-chair the U.S.-China Environment and Development
Forum. I will
write to Premier Zhu soon, laying out some ideas for the Forum itself
as well as
for enhanced cooperation and joint research in areas such as water
resources and
land use management, agricultural issues, gas exploration and
development, air
pollution, and climate change.

President Clinton and I believe climate change is one of the greatest
threats
facing our two nations. The Kyoto agreement could generate
enormous new capital
flows and technology to promote China's development. It could help

clean the air
in your cities and prevent future floods by providing funds for
reforestation.

Our two countries are building a strong framework for cooperation on
this issue
under the U.S.-China Environment and Development Forum. I
understand your
negotiators in Buenos Aires generally opposed moving the Kyoto
process forward.
I believe it is strongly in China's interest to quickly turn the promise
of the
Kyoto agreement into a reality, because of the capital flows and
because of the
flooding that has occurred. Flooding such as that will become worse
in a world
where global warming has advanced.

President Jiang: I want to answer the question you raised about the
invitation to
Zhu. He wants to visit in the springtime. The exact time is to be
decided
through diplomatic channels. Zhu intends to co-chair the Forum with
you.
It is an important item of his agenda.

Vice President: Yes, we can resolve the details through diplomatic
channels.

President Jiang: I am sure there will be detailed discussions on the
issues you
listed.

Vice President: Is he an atheist also?

President Jiang: [Laughing] I won't go into detail on that.

Tiananmen Sanctions, WTO and Other Economic and Trade Issues

Vice President: I have good news. The President has decided to waive
the
sanctions on activities of the Trade and Development Agency in
China. This will
permit TDA to undertake the full range of its activities participating in
China's
development. Because the President has not yet formally sent the
waiver to
Congress, this cannot be announced publicly at this time, but I wanted
to advise
you of the decision.

The President and I are concerned over our trade deficit, and continuing high barriers to U.S. exports. The deficit will expand by 20 percent this year, and China has taken a number of recent steps that further close markets, such as in power generation, telecommunications and retail sales. The best way to put trade relations on a more constructive track is through WTO negotiations of an accord that opens China's markets. President Clinton believes we can complete negotiations before Premier Zhu's visit and is ready to instruct our negotiators to work to that end.

Our negotiators cannot achieve this goal without commitment by your side to an agreement that truly opens China's market, wins support of U.S. business and can withstand scrutiny of Congressional critics. In the end, the agreement must assume access for foreign goods, agricultural products, and services. The President and I believe an agreement that commits China to WTO requirements will strengthen, not weaken, China's economy. We look forward to hearing if you agree to work toward accession before Premier Zhu's visit.

President Jiang: [Reading from text.] As for the trade question, it is true that the two sides have some different views. They have been working to resolve their differences for a long time. It is necessary that the U.S. ease its restrictions.

On the power generation issue, I have worked for a long time on that matter. There is an oversupply of power generation in the world. My estimate is that big companies such as GE and ABB will produce fully, while Chinese companies will only achieve half production. Now China's approach is to call publicly for tender. We are calling publicly for preferential conditions for those who will provide financing. Other trade matters involve this process.

Competent agencies
can further discuss these issues so a favorable plan can be decided
upon before
Zhu's visit.

Vice President: There are some areas in the U.S. economy, too, where
there is a
surplus. Electric power generation may be an area where we can offer
efficiencies.

With a WTO agreement, the President and I can advocate permanent
Most Favored
Nation status for China. We believe we can succeed on the basis of a
strong
agreement.

President Jiang: [No longer reading from prepared text.] On the
question of
China's accession to the WTO, we take a positive attitude. Before
President
Clinton came to China, we held talks [with USTR]. Recently we heard
negative
remarks; however, these do not reflect reality. We are ready to do our
part, but
it does not depend on China alone. This calls for necessary flexibility.
The
Asian financial crisis put pressure on China. A hasty approach cannot
help
anyone. Some issues can be left for after China joins the WTO. The
idea of
reaching closure by early next year is a positive idea. Both sides need
to adopt
a practical and flexible attitude. WTO accession will facilitate our
trade
relations and strengthen the international trading regime. I am pleased
by
[Ambassador Charlene] Barshefsky's presence here.

Vice President: Then we will instruct our negotiators to conclude an
agreement by
Zhu's visit. That will be a step forward. Without such an agreement,
protectionist pressures are certain to mount. Absent a WTO
agreement, we would
need to explore bilateral means to achieve greater across-the-board
market access
for U.S. products.
You can vastly increase confidence in the United States that China is
prepared to
reach an agreement by lifting in the coming few months phytosanitary
restrictions

on agricultural imports. In addition, we would like to see progress on insurance licenses.

Regarding broader economic issues, we welcome a continued policy aimed at maintaining the stability of your currency. This policy is in China's own best interest as well as the region's. We hope China will resist damaging hard-won progress on reforms through short-term backtracking or pursuit of unsustainable growth. We believe China should focus on reform of banking and state-owned enterprises as the best path to sustained growth. I appreciate the opportunity to share these thoughts with you. Do you have time for regional issues? [Jiang assented.]

Regional Security

There are dangerous signs that North Korea has not given up its ambitions to develop nuclear weapons or the missiles capable of delivering them. This risks causing an arms race in Northeast Asia and increases motivation to strengthen missile defenses. Access to suspect underground construction and avoiding further North Korean long-range missile tests and exports are essential to preserve the Agreed Framework. Another long-range missile test could destroy political support in the United States, Japan and perhaps the Republic of Korea for the Framework.

We have initiated a policy review, headed by former Secretary of Defense William Perry, to analyze how we can better secure North Korean compliance with its commitments under the Agreed Framework. We have real challenges we need to face together. Kim Jong Il - is he a good friend of yours?

President Jiang: As for the DPRK, I used to meet Kim Il Song often, and Kim Jong Il accompanied his father but never spoke. He didn't appear very active and

energetic because of his father's presence. [In English]: He looked very tired.

[In Chinese]: We have not met since his father passed away. Since his father's death, there has been a debate in the media over whether Kim Jong Il really has a voice. However, the voice of Kim Jong Il has been heard. When I met with [South Korean President] Kim Dae Jung, he said a businessman brought cattle and the voice of Kim Jong Il was heard. [In English]: It seems to me he has a very good voice.

[In Chinese]: As for our real knowledge of the DPRK, it appears to me the U.S. has better knowledge of North Korea's nuclear weapons since, for example, you discussed them at the Four-Party Talks. As for the latest space launch, you have a better capacity to decide whether or not it was a satellite. I hope you can share with us some of your information. I hope I can convince you that we will always play a role for peace and stability on the Korean peninsula.

Vice President: I never doubted his voice, but wondered if he had a brain. Don't take notes on this. You don't believe in God; I do; he believes he is God. Keep that out of your notes.

President Jiang: It is hard to predict the personality of Kim Jong Il. But I am concerned about the living standards in North Korea, including the food shortages. Like the U.S., we have also provided the DPRK with food assistance out of concern for the people's plight. To be frank, in the case of a famine, it would be we who would suffer.

Vice President: On Korean security matters, it is important that we work together closely, because it is important to guess what he [Kim Jong Il] says or does; on technology it is very important we work together since the situation is very dangerous. I am glad you agree.

President Jiang: Agreed.

Vice President: In South Asia, we want to continue our good cooperation. We hope you will join us in urging India and Pakistan to sign CTBT as a first step, and establish a moratorium on the production of fissile materials. We ask you to encourage Pakistan to sign the CTBT now - it would help them take the high ground and increase pressure on India.

President Jiang: On this question, recently there have been positive changes which we welcome. Initially, India only made certain gestures and only conditionally. India's objective was to divide the international community. Its position regarding acquisition of nuclear weapons has not changed. Therefore, we need a clear understanding about the true situation. We do not want to send a signal which could be misinterpreted. It is necessary to ask India and Pakistan to adopt international [IAEA] safeguards, adhere to the P-5 communique, and respect UN Security Council Resolution 1172.

It is imperative to have a freeze on further nuclear activities and have both India and Pakistan accede to the Non-Proliferation Treaty. India has caused the problem. We can encourage positive steps by Pakistan, and it is important to lift sanctions against Pakistan at an early date. In my view, international unity, especially among the P-5, holds the key to settlement of the South Asian issue.

Vice President: Thank you. We believe that one way to move forward is for Pakistan to take the first step.

Missile Proliferation and Terrorism

We've made significant progress working together on nonproliferation. The joint Summit statements on South Asia, Biological Weapons Convention, and

anti-personnel landmines demonstrated our shared views on important nonproliferation and arms control issues. We're encouraged by your commitment to consider whether to join the Missile Technology Control Regime (MTCR). And we are glad our experts have begun discussing implementation. We hope to see concrete progress soon. This will help maintain political support in the United States for improving bilateral ties.

We continue to see reports of possible assistance by PRC companies to Iran and Pakistan, including equipment that can be used in Iran's missile program.

We would also like to increase our cooperation on terrorism, and receive a Chinese delegation in Washington. We can discuss this further through diplomatic channels.

President Jiang: Allow me to give you a firm answer. [Emphatic] Rumors that China has given assistance to Iran and Pakistan are baseless.

Vice President: We need a joint working group on rumors. We can then make them dissipate, so they won't hurt the relationship.

President Jiang: In the joint open press conference [with President Clinton] it took some courage to say..... The facts must be true. We can have different opinions - that reflects democracy.

Vice President: If you could name someone who reports only to you, and the President does the same, we could deal with rumors that way.

President Jiang: Agreed. We are against terrorism, as there is nothing about terrorism that is good for humanity.

Vice President: No one is immune.

President Jiang: We do not have much time. But let me tell you a joke about the people in Pakistan. When I visited, they had five different prayers a

day.

I had to take an extra sleeping pill. [Addressing his advisors]: I heard a similar voice in the welcoming ceremony here - he sounded like Pavarotti.

Human Rights

Vice President: President Clinton specifically asked me to recall his discussions with you on human rights in both Washington and Beijing. We very much appreciate China's signature on the International Covenant on Civil and Political Rights in October. We also look forward to resuming our official human rights dialogue, to the creation of a bilateral NGO Forum, to a visit by Secretary Albright's Religious Freedom Coordinator and to cooperation in rule of law programs covering human rights and other topics.

We need to keep speaking frankly on this important subject. In addition to the positive developments we see, we still hope for more progress in certain areas.

Prisoner releases are important in themselves and are beneficial to our mutual effort to improve bilateral relations. The President had expected some after the June Summit. We're concerned about the fate of individual prisoners our two sides have discussed. Also we hope to see progress on categories of prisoners. Thanks for the extended period of time today.

President Jiang: About your last point. I hope we can join President Clinton and other leaders for a dialogue on human rights in a free and open atmosphere. The laws of all countries will have to be respected. Democracy and laws are all relative concepts. Democracy can only be achieved if people obey the laws. I know you must be hungry after your long flight....

Vice President: Your words have assuaged my hunger.

President Jiang: [In English]: We had very good talking.

2

14

~~SECRET~~

~~SECRET~~

~~SECRET~~

~~SECRET~~

Reason: 1.5(b)(d)

Declassify on: 11/18/08

Exchange Mail

DATE-TIME 12/14/98 9:36:37 AM
FROM Campanella, Anthony
CLASSIFICATION ~~SECRET~~
CLASSIFICATIONREASON 1.5(b)(d)
DATECLASSIFIEDON 12/14/1998
DECLASSIFYON 12/14/2008
SUBJECT DRAFT MEMCON - POTUS-BLAIR ~~[SECRET]~~
TO Cosgriff, Kevin J.

DECLASSIFIED
PER E.O. 13526
2013-0804-M
05/26/16 KDE

CARBON_COPY

TEXT_BODY As discussed

TRANSLATED_ATTACHMENT

Blair1214.doc

~~SECRET~~

MEMORANDUM OF TELEPHONE CONVERSATION

PARTICIPANTS: THE PRESIDENT
BRITISH PRIME MINISTER BLAIR

LOCATION: JERUSALEM, ISRAEL

NOTE TAKERS: GEORGE CHASTAIN, FRANK JAROSINSKI,
JENNY MCGEE

DATE/TIME: 14 DECEMBER 1998/0205-0210 EST

PRIME MINISTER BLAIR: Hello?

THE PRESIDENT: Tony?

PRIME MINISTER BLAIR: Hi, Bill. How are you?

THE PRESIDENT: I'm fine, I'm fine.

PRIME MINISTER BLAIR: This is a pretty historic day for you in
the Gaza.

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THE PRESIDENT: Yes, it's been a pretty good trip, and I think I've done a pretty good job to get Netanyahu on the page. But the political situation in Israel is fluid, to say the least. There may be a no-confidence vote. We'll know on the 21st, at least. I called you about Iraq. We got word yesterday that Butler's report is going to say that Iraq is not cooperating and UNSCOM cannot do their job, that in five areas they only made a passing blush at cooperating and UNSCOM can't do its job. UNSCOM went into a room at Ba'ath Party headquarters, a room they had been in the day before, and the furniture had been removed, the files had been removed, and the wallpaper had been stripped from the walls - sort of a "screw you" deal. They are despairing, and a lot of the temporary inspectors are pulling out. If, in fact, he says that and UNSCOM can no longer do its job, I don't see we have any choice but to act and act right now. We can do it before Ramadan, but we have to have our military-to-military talks right away. I think we'll get killed if we sit around for five weeks and wait to see what happens.

PRIME MINISTER BLAIR: I think if he comes out with a report as strong as that, it's pretty difficult to avoid action. I should speak to George and Robin as soon as possible. How sure are we, Bill, that that's what he's going to say?

THE PRESIDENT: Ninety percent. I swear to God I've had nothing to do with this. Our people did not do this. I was frankly hoping this would not come up until January, but here I am and here we are. But we've got some timing issues, and we've got to start our discussions immediately. I'll be available at any time to talk with you.

PRIME MINISTER BLAIR: So when is he actually putting out this report?

THE PRESIDENT: Tuesday morning.

PRIME MINISTER BLAIR: Okay, right.

THE PRESIDENT: The timing is essential and tight, but it can be done. We've got it all worked out, and it's a quick deal, but he'll be surprised. He doesn't think we can move this fast. That's why he's jerking us around. He thinks he's dragged us into Ramadan. But we've got to start the consultations now, and we'll see what happens Tuesday morning.

PRIME MINISTER BLAIR: Yeah, if he says UNSCOM can't do its job, then we don't have much choice.

THE PRESIDENT: We won't have a leg to stand on if we don't do something.

PRIME MINISTER BLAIR: I think so. I'd better talk to George and Robin.

THE PRESIDENT: We've got to keep this super quiet. Last time he'd already moved most stuff out of most places. We've got a real chance for surprise.

PRIME MINISTER BLAIR: Okay, Bill, we better get going on it.

THE PRESIDENT: We'll keep in touch.

PRIME MINISTER BLAIR: All right, Bill. We'll speak soon.

THE PRESIDENT: Goodbye.

PRIME MINISTER BLAIR: Bye.

2

2

Exchange Mail

DATE-TIME 12/15/98 7:57:16 PM
FROM Smith, James A.
CLASSIFICATION ~~SECRET~~
CLASSIFICATIONREASON 1.5(d)
DATECLASSIFIEDON 12/15/1998
DECLASSIFYON 12/15/2008
SUBJECT DRAFT Memcon - POTUS-PM Blair, 15 December ~~SECRET~~
TO Cosgriff, Kevin J.

DECLASSIFIED
PER E.O. 13526
2013-0804-M
05/26/16 KDE

CARBON_COPY
TEXT_BODY

TRANSLATED_ATTACHMENT Blair121598.doc
~~SECRET~~

MEMORANDUM OF TELEPHONE CONVERSATION

PARTICIPANTS: THE PRESIDENT
BRITISH PRIME MINISTER BLAIR

LOCATION: AIR FORCE ONE

NOTE TAKERS: JAMES SMITH, ROGER MERLETTI,
MARIANNA PAPADIMITRIOU, DOUG BAYLEY,
SEAN TARVER

DATE/TIME: 15 DECEMBER 1998/1538-1541 EST

PRIME MINISTER BLAIR: Hello.

THE PRESIDENT: Hello, Tony?

PRIME MINISTER BLAIR: Hi, Bill.

THE PRESIDENT: Tony, have you seen the report?

PRIME MINISTER BLAIR: Yes, I have.

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THE PRESIDENT: And what do you think?

PRIME MINISTER BLAIR: I think it's pretty clear, really. He's saying he can't do his job properly, you know, and I think we are going to have to strike. The only basis on which we can leave it - I don't know on what basis, frankly. Is your instinct not to do it now?

THE PRESIDENT: No, my instinct is that we probably should do it. I just think, you know, if we don't, it'll be five weeks away and then we probably would not get anything.

PRIME MINISTER BLAIR: Yeah. I think the problem is -- my concern is the proximity of Ramadan and whether there is some problem as a result of that. I think in terms of force itself, I think the conclusion of the report is pretty clear. So, you know, we could leave it, but there will always be reasons for not doing it. Now is as good a time as any to do it.

THE PRESIDENT: Yes, that's our instinct. I may want to talk to you early in the morning; you're up and around before me. My instinct is we gotta go. You know, I will get a world of shit over here, that I jiggered the timing, but I didn't. This is a decision we made on November 15th when we didn't do it.

PRIME MINISTER BLAIR: That's right. It's important to point out the fact that Butler was always going to issue a report at this time, so you know we were always going to be faced with a decision when he reported. You could, if you wanted to, build up evidence over Ramadan and then do it after that if there is any reason. Well, that is fair enough, but what I am saying is on the basis of the report you would be totally justified, and we, too.

THE PRESIDENT: Well, I think you know if it weren't for this political vote in the House, I would be doing it easily. I would have a harder time

explaining why

I did not do it. Our guys are afraid it will slip away. I just wanted to see

where you were. My instinct is that I think we should go forward. We have

another couple of trigger points yet, but it's not too many hours away.

I would

say get a good night's sleep and I will talk to you early tomorrow.

PRIME MINISTER BLAIR: Okay, Bill, let's do that.

THE PRESIDENT: Good night.

PRIME MINISTER BLAIR: Goodbye.

2

3095E1D / .FIN

Exchange Mail

DATE-TIME 12/17/98 10:44:09 AM
FROM Cosgriff, Kevin J.
CLASSIFICATION ~~SECRET~~
CLASSIFICATIONREASON 1.5(d)
DATECLASSIFIEDON 12/15/1998
DECLASSIFYON 12/15/2008
SUBJECT FW: DRAFT Memcon - POTUS-PM Blair, 15 December [~~SECRET~~]
TO Riedel, Bruce O.

DECLASSIFIED
PER E.O. 13526
2013-0804-M
05/26/16 KDE

CARBON_COPY

TEXT_BODY Going to file for the record as is unless you feel strongly otherwise.

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Message-----
From: Smith, James A.
Sent: Tuesday, December 15,
1998 7:57 PM
To: Cosgriff, Kevin J.
Subject: DRAFT Memcon - POTUS-PM
Blair, 15 December [~~SECRET~~]

TRANSLATED_ATTACHMENT Blair121598.doc
~~SECRET~~

MEMORANDUM OF TELEPHONE CONVERSATION

PARTICIPANTS: THE PRESIDENT
BRITISH PRIME MINISTER BLAIR

LOCATION: AIR FORCE ONE

NOTE TAKERS: JAMES SMITH, ROGER MERLETTI,
MARIANNA PAPADIMITRIOU, DOUG BAYLEY,
SEAN TARVER

DATE/TIME: 15 DECEMBER 1998/1538-1541 EST

CLINTON LIBRARY PHOTOCOPY

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PRIME MINISTER BLAIR: Okay, Bill, let's do that.

THE PRESIDENT: Good night.

PRIME MINISTER BLAIR: Goodbye.

2

Exchange Mail

DATE-TIME 12/17/98 4:08:19 PM
FROM Cosgriff, Kevin J.
CLASSIFICATION ~~SECRET~~
CLASSIFICATIONREASON 1.5(d)
DATECLASSIFIEDON 12/15/1998
DECLASSIFYON 12/15/2008
SUBJECT FW: DRAFT Memcon - POTUS-PM Blair, 15 December ~~SECRET~~
TO Sigler, Ralph H.

CARBON_COPY
TEXT_BODY File for the record as is

DECLASSIFIED
PER E.O. 13526

2013 - 0804 - M
05/26/16 KDE

-----Original Message-----

From: Smith,
James A.

Sent: Tuesday, December 15, 1998 7:57 PM

To: Cosgriff,
Kevin J.

Subject: DRAFT Memcon - POTUS-PM Blair, 15 December
~~SECRET~~

TRANSLATED_ATTACHMENT Blair121598.doc
~~SECRET~~

MEMORANDUM OF TELEPHONE CONVERSATION

PARTICIPANTS: THE PRESIDENT
BRITISH PRIME MINISTER BLAIR

LOCATION: AIR FORCE ONE

NOTE TAKERS: JAMES SMITH, ROGER MERLETTI,
MARIANNA PAPADIMITRIOU, DOUG BAYLEY,
SEAN TARVER

CLINTON LIBRARY PHOTOCOPY

DATE/TIME: 15 DECEMBER 1998/1538-1541 EST

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PRIME MINISTER BLAIR: Okay, Bill, let's do that.

THE PRESIDENT: Good night.

PRIME MINISTER BLAIR: Goodbye.

2

Exchange Mail

DATE-TIME 12/22/98 8:29:58 AM
FROM Cosgriff, Kevin J.
CLASSIFICATION ~~SECRET~~
CLASSIFICATIONREASON 1.5(b)(d)
DATECLASSIFIEDON 12/14/1998
DECLASSIFYON 12/14/2008
SUBJECT FW: DRAFT MEMCON - POTUS-BLAIR [~~SECRET~~]
TO Sigler, Ralph H.

DECLASSIFIED
PER E.O. 13526
2014-0803-M
05/26/16 KDE

CARBON_COPY

TEXT_BODY File for the record as is.

-----Original Message-----

From: Campanella,
Anthony
Sent: Monday, December 14, 1998 9:37 AM
To: Cosgriff,
Kevin J.
Subject: DRAFT MEMCON - POTUS-BLAIR [~~SECRET~~]

As discussed

TRANSLATED_ATTACHMENT

Blair1214.doc

~~SECRET~~

MEMORANDUM OF TELEPHONE CONVERSATION

PARTICIPANTS: THE PRESIDENT
BRITISH PRIME MINISTER BLAIR

LOCATION: JERUSALEM, ISRAEL

NOTE TAKERS: GEORGE CHASTAIN, FRANK JAROSINSKI,
JENNY MCGEE

DATE/TIME: 14 DECEMBER 1998/0205-0210 EST

CLINTON LIBRARY PHOTOCOPY

PRIME MINISTER BLAIR: Hello?

THE PRESIDENT: Tony?

PRIME MINISTER BLAIR: Hi, Bill. How are you?

THE PRESIDENT: I'm fine, I'm fine.

PRIME MINISTER BLAIR: This is a pretty historic day for you in the Gaza.

THE PRESIDENT: Yes, it's been a pretty good trip, and I think I've done a pretty good job to get Netanyahu on the page. But the political situation in Israel is fluid, to say the least. There may be a no-confidence vote. We'll know on the 21st, at least. I called you about Iraq. We got word yesterday that Butler's report is going to say that Iraq is not cooperating and UNSCOM cannot do their job, that in five areas they only made a passing blush at cooperating and UNSCOM can't do its job. UNSCOM went into a room at Ba'ath Party headquarters, a room they had been in the day before, and the furniture had been removed, the files had been removed, and the wallpaper had been stripped from the walls - sort of a "screw you" deal. They are despairing, and a lot of the temporary inspectors are pulling out. If, in fact, he says that and UNSCOM can no longer do its job, I don't see we have any choice but to act and act right now. We can do it before Ramadan, but we have to have our military-to-military talks right away. I think we'll get killed if we sit around for five weeks and wait to see what happens.

PRIME MINISTER BLAIR: I think if he comes out with a report as strong as that, it's pretty difficult to avoid action. I should speak to George and Robin as soon as possible. How sure are we, Bill, that that's what he's going to say?

THE PRESIDENT: Ninety percent. I swear to God I've had nothing to do with this.

Our people did not do this. I was frankly hoping this would not come up until January, but here I am and here we are. But we've got some timing issues, and we've got to start our discussions immediately. I'll be available at any time to talk with you.

PRIME MINISTER BLAIR: So when is he actually putting out this report?

THE PRESIDENT: Tuesday morning.

PRIME MINISTER BLAIR: Okay, right.

THE PRESIDENT: The timing is essential and tight, but it can be done. We've got it all worked out, and it's a quick deal, but he'll be surprised. He doesn't think we can move this fast. That's why he's jerking us around. He thinks he's dragged us into Ramadan. But we've got to start the consultations now, and we'll see what happens Tuesday morning.

PRIME MINISTER BLAIR: Yeah, if he says UNSCOM can't do its job, then we don't have much choice.

THE PRESIDENT: We won't have a leg to stand on if we don't do something.

PRIME MINISTER BLAIR: I think so. I'd better talk to George and Robin.

THE PRESIDENT: We've got to keep this super quiet. Last time he'd already moved most stuff out of most places. We've got a real chance for surprise.

PRIME MINISTER BLAIR: Okay, Bill, we better get going on it.

THE PRESIDENT: We'll keep in touch.

PRIME MINISTER BLAIR: All right, Bill. We'll speak soon.

THE PRESIDENT: Goodbye.

PRIME MINISTER BLAIR: Bye.

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