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Case Number: 2009-1290-M; 2015-0775-M;
2016-0467-M

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THE WHITE HOUSE
WASHINGTON

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2016-0467-M (1.01)
3/6/2019 KBH

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with French President Jacques Chirac

PARTICIPANTS: The President
President Jacques Chirac

Interpreter: Carol Wolter
Notetaker: Bonnie Glick, George Chastain,
Frank Jarosinski, Sean Tarver, James Smith,
Joel Schrader

DATE, TIME AND PLACE: October 8, 1998, 12:46p.m.-1:05 p.m.
Oval Office

President Chirac: Hello. (U)

The President: Hello Jacques. (U)

President Chirac: Oh Bill, how are you? (U)

The President: Fine. It's a pleasure to hear you. (U)

President Chirac: It's a great pleasure to hear from you. (U)

The President: Thank you. It's good to hear your voice. We said we would check in today on the Kosovo situation, so I thought we should talk for a moment. (U)

President Chirac: Hello? Could you repeat---- (U)

The President: We agreed to talk a few days ago about Kosovo.
(2)

President Chirac: Bill, I hear you. (U)

The President: Kofi Annan's report makes it clear Milosevic is still defying the international community. Dick Holbrooke has held three difficult meetings with Milosevic in the past few days. Milosevic is still being evasive and is still refusing to comply. He claimed there were no roadblocks even though

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Holbrooke encountered several of them himself. His comments about the security forces have been equally misleading. So I think we are still in a difficult position. I think it is very important now that we achieve a consensus on a NATO decision to authorize the use of force, and that we do it by Saturday. I believe we are all moving in the same direction. I know you were working on ways to get Russia on board and that you have spoken with Yeltsin several times. I think the real problem is that we have gotten a clear signal from Moscow that they will not support another UN resolution. So, I don't think it makes any sense to pursue this any longer -- a veto would only encourage Milosevic and make it harder for the allies to support. I hope we can also get a strong statement from today's Contact Group meeting, and I know you are pushing for it. I am also unsure how Russia will be there, but the main point is that we should agree, I think, that NATO will proceed to authorize action regardless of what the Russian position is. I think if we do that we may not have to use it. If Milosevic thinks force will be used, at least we may not have to use it. (U)

President Chirac: Bill, I agree with this approach--- (U)

The President: Just a moment, I can't hear the interpreter.
(U)

President Chirac: I was saying I agreed with that approach. The Russians are aligned on Primakov's position and they are not going to move. So obviously we have to do it without them. But we have to do it in as courteous a fashion as possible, because we do not want to have the Russia-NATO pact explode. So now, the Contact Group is meeting in London and our Foreign Ministers will report back to us. If it becomes clear that there is no other solution to get Milosevic to move then we will have to act. And so we will support that position. But as I said during our last conversation, a military strike will not have any results. It will encourage the Serbian people to close ranks around Milosevic. And it is going to give hopes to the UCK, the Kosovar military who are going to start misbehaving again. So if there is a military intervention, at the same time there must be a political diplomatic initiative. And that is why I propose to convene in Paris or elsewhere a meeting of the Contact Group plus Rugova and Milosevic immediately after the action. And I would like to ask for your support for this initiative because we must really seize this opportunity. If not, we will lock ourselves into a situation where there is an escalation of the military situation with Milosevic. So with that reservation I agree. But I am afraid there will be a

problem with the Italians, who I met two days ago, and with the Germans. (U)

The President: First, I thank you for your thoughts. I agree military action will not solve the problem alone, it will only make it clear to Milosevic that his actions will not be tolerated. I agree also though that if we make this decision on Saturday at the NAC committee meeting to authorize force we still have a chance to avoid the use of it. I have warned the UCK not to take advantage of any NATO action if they expect us to continue to work for peace. Now on the other issues you mentioned, I think there is some merit to having a meeting after military action. I am certainly not opposed to that because we will have to get everyone together on a diplomatic solution. Perhaps we can have Madeleine and Vedrine agree to discuss that. As for the Germans and Italians, Schroeder will be here tomorrow, and I will talk to Kohl on the phone today and I will do my best with them. I don't know exactly what to do about the Italians -- if you have any ideas I would be glad to hear them. I have already spoken to Prodi once on this and will be glad to speak to him again. (C)

President Chirac: I think that would be useful. He's coming out of his domestic political crisis. The budget was the reason for that crisis, but he did not hide from me the fact that he felt he could probably overcome the budget crisis but he could not, in addition, agree to carry out a raid on Kosovo. It might be a good idea to call him or perhaps have Madeleine put pressure on Foreign Minister Dini. (C)

The President: Okay. I will see what I can do. (U)

President Chirac: Okay, Bill. (U)

The President: Let me also say I had a very interesting talk here with your Finance Minister and the head of your central bank. (C)

President Chirac: Yes. They were also very satisfied with the conversation. I also wanted to congratulate you for your remarkable speech before the IMF. We fully share your opinion and we support your initiative. (C)

The President: Thank you very much. I will be in touch on that. We see some evidence in America and elsewhere that credit lines are tightening up. I am afraid it will happen in Europe and Japan and particularly in Germany where the banks are exposed to

Russian loans. We might have to be more aggressive in coming weeks. Things are moving very quickly and the Japanese situation is still very bad. (S)

President Chirac: I fully agree with that and I agree with your line of thought. It is true that our Japanese friends have a weak government and are politically weak and not much is happening. (S)

The President: Thank you Jacques. I will be back in touch. (S)

President Chirac: Thank you very much, Bill. And give my regards to Hillary. (U)

The President: Thank you friend, I will. Goodbye. (U)

President Chirac: Goodbye. (U)

-- End of Conversation --

See
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THE WHITE HOUSE
WASHINGTON

DECLASSIFIED
PER E.O. 13526
2016-0467-M (1.02)
3/4/2019 KBH

MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Jacques Chirac, President of France

PARTICIPANTS: The President
Madeleine Albright, Secretary of State
Robert Rubin, Secretary of the Treasury
Samuel Berger, Assistant to the President
for National Security Affairs
Gene Sperling, Assistant to the President
for Economic Affairs
Steve Ricchetti, Deputy Chief of Staff
Felix Rohatyn, Ambassador to France
James Steinberg, Deputy Assistant to the
President for National Security Affairs
Antony Blinken, Special Assistant to the
President and Senior Director for European
Affairs, NSC (Notetaker)
Lael Brainard, Deputy Assistant to the
President for Economic Affairs (expanded
session and lunch only)
Donald Bandler, Special Assistant to the
President for the NATO Summit (expanded
session only)
Keirn C. Brown, Director for European
Affairs (expanded session only)

Jacques Chirac, President
Hubert Vedrine, Foreign Minister
Dominique Strauss-Kahn, Finance Minister
Jean-David Levitte, Diplomatic Adviser
Hubert Bujon, Ambassador to the United
States
Jean-Francois Girault, Technical Adviser
Catherine Colonna, Spokesperson (expanded
Session and lunch only)

Jean-Francois Cirelli, Economic Adviser
(expanded session and lunch only)
Renaud Vignal, Ministry of Foreign Affairs
(expanded session and lunch only)

DATE, TIME February 19, 1999, 11:45 a.m. - 2:15 p.m.
AND PLACE: Oval Office; Cabinet Room; Old Family Dining
Room

Oval Office Session

The President: Shall we discuss Kosovo first, since that's the pressing issue? (U)

President Chirac: Yes. The latest information is not very positive. The Serbs are refusing both the political and military proposals and Milosevic has refused to see Chris Hill. This is scandalous. We must send a very strong signal that the party that refuses must bear the consequences. And for the moment, that party is the Serbs. (S)

In that regard, I've got a few thoughts. First, if the Serbs persist, we cannot avoid the air strikes we've planned. In that context, we should consider a precaution regarding the Russians. It would not be good if Yeltsin makes intemperate remarks. We need to take precautions with Primakov or Ivanov to control the reaction. They need the West and the IMF; it's in their interest to avoid a violent situation. (S)

Second, we should send a strong signal today to Milosevic. I've thought of calling him. It would be even more effective if you did it. It's unlikely to work, but at least we can tell our publics that we tried everything. (S)

Third, after a certain period of strikes, we should pause to see if they were sufficient for Milosevic to change his mind. (S)

Fourth, if the Kosovars are responsible for the breakdown -- and that's obviously very hypothetical -- we will need some means against them. (S)

Finally, we're saying to Milosevic: you must accept our political and military plans or we will bomb you. Maybe we should add a third element. If you accept those plans, there will be no strikes and we will begin a process to reintegrate the FRY into the international community. When one has a big stick, it's also good to have a carrot. (S)

The President: The fact that we have been so strongly together on this is very important. It's impossible to know if Milosevic thinks he needs to absorb some airstrikes so he can make it seem he was "forced" to capitulate or whether this is simply brinkmanship. (C)

There will be a very brief period between the collapse of talks and the start of airstrikes. Then, it might be appropriate for you to make a last appeal. If we do something now, we could give Milosevic an opportunity to send the talks off on a tangent and force a delay. (C)

As to the carrot question and sanctions, let me let Madeleine address that. (C)

Secretary Albright: Yes, there are two layers of sanctions. Those we imposed in relation to Kosovo could be discussed but those imposed before -- what we call the outer wall -- we need to be very careful about. They would be hard to unpack and in any event, it would be premature. But we could do the first layer. (C)

The President: We could present it as a way to work the FRY back into the international community. Sanctions make Milosevic's internal situation more difficult. (C)

Now, through Milosevic's eyes, if he allows a NATO force to back up civil implementation, he will lose Kosovo. We need to make him see that the only chance he has to keep Kosovo within Serbia is to restore autonomy. (C)

Based on past experience, our best course is to hold a uniform line till the deadline. There's still a chance he will come around. At the same time, we need to keep the Kosovars in line. (C)

President Chirac: I've had relations with Milosevic. He is extremely stubborn, closed. We had a devil of a time negotiating the release of two French pilots who were shot down. We can't conclude he'll give in after first strikes. That's why I would suggest a 48 hour pause before the second series of strikes. In the past, he has ceded in the face of military pressure that gave him the pretext to tell his public he could not resist any longer. (C)

Finally, if there's a breakdown, we must immediately take the necessary steps on the military side. It would be good if, Saturday afternoon, we had a Contact Group meeting. I know the Russian will be there. But he's very polite. And then we could take the decision "at five." At least we will have made a gesture to the Russians. (S)

Foreign Minister Vedrine: In practice, Madeleine, Cook and I will be at Rambouillet and Fischer has said he wants to come, as does Dini. Ivanov is in Japan -- which may be rather convenient for him. He's sending his political director. It's a deliberate choice. (S)

The President: That's good. (S)

President Chirac: Yes, that would be the best way to present things: note that the Russians are opposed, then decide "at five." (S)

Secretary Albright: With everyone gathering, it would be hard not to meet. But it must be clear -- no squabbling. Also, after the Contact Group makes a decision, it would be symbolically important to go to Brussels to hand over to NATO. (S)

Foreign Minister Vedrine: Yes, there should be a solemn NAC decision, after the Secretary General [Solana] has done planned consultations. (S)

Secretary Albright: Let's be clear, NATO has made decisions and Solana has them in his pocket. He must consult informally -- there is no formal decision to be made. (S)

President Chirac: We can't rule out that to get out of a dead end, Milosevic will say yes to ground troops but no to NATO. We need to think about that. (S)

The President: Has he said that? (S)

Secretary Albright: No, but others have mentioned it, like Dini. It is not acceptable. (S)

Samuel Berger: In the strike scenario, the initial set of strikes must be sufficiently strong and decisive so that Milosevic understands their seriousness. If we pin prick and pause, he may think that he has won. (S)

President Chirac: Sandy, I never said a pin prick. I totally agree we must be strong to impress him. But after first strike, we should give ourselves 24 to 48 hours to see their effect.

(S)

The President: We're thinking along similar lines. Let NATO do its job on the military side, do the planning for more strikes, the number of days and so on. If during that period, there is an intensive effort to bring Milosevic back, good. We just need to be sure that we do not pause more than 24 to 48 hours -- it should be a natural lull that we fill with intense diplomatic efforts without giving Milosevic a chance to drag things out. I'm encouraged by hearing you say a day or two. Any longer and our will could dissipate and we could let Milosevic exploit gaps. (S)

President Chirac: Once he refuses, we must show strength. The strikes must be serious and strong. But technically, they will have to be interrupted after 2 or 3 days to see the reaction, and then we would re-start. The public will understand forceful strikes but not 15 days without giving Milosevic a chance to say "enough." To come back to one thing, you have no plans to call Milosevic? (S)

The President: It would be a big mistake. When we met with him in Paris after Dayton, we thought we had him going in the right direction. And then Kosovo. If I call, he will see an opportunity to rewrite the terms of the negotiations. He must know that we do not want to bomb but we will. I don't think he thinks we have another agenda -- but he wants to avoid foreign troops in Serbia. (S)

Foreign Minister Vedrine: We need to think about how the UCK will react. In Rambouillet, there are strong internal tensions. The UCK doesn't want fundamental concessions. They are waiting for strikes. They refuse to give up on independence. I understand this tactically -- Milosevic must move first. But there is the possibility that the UCK could exploit the situation to move into a vacuum, get rid of the moderates and proclaim independence. This would also have a serious impact on northern Albania. We don't have instruments to deal with this scenario. We've thought of controlling financial resources or weapons that come in through Albanian ports, but in practice, it would take a long time to do this. We need to work all this through. (S)

President Chirac: The only justification for contact with Milosevic is to make clear to him that his intransigence is what's leading to independence and that we will not sit still if his army moves into Kosovo -- even if the Kosovars are no better than the Serbs. (S)

Secretary Albright: We've made it clear to the Kosovars that we are not their Air Force, we won't recognize independence, there will be no troops on the ground, they will be on their own -- they will totally lose out in terms of what their future will look like. (S)

The President: We can't be naïve about this; non-compliance by the UCK is a real problem. But I'm also worried that if they think they are getting a bad deal, they will do something to force us to withdraw, provoke Milosevic to commit new atrocities, and then we'd be faced with a free for all. We need to keep disciplined and keep focused on both sides. And one of the reasons we have to be ready to take risks is that there are so many other permutations that would be worse than where we are. (S)

President Chirac: What happens if the UCK proclaims independence, the Serbs go in strong and massacre more people, and we see an all-out war? Then what do we do? (S)

Foreign Minister Vedrine: Then the Albanians would call for Albanian solidarity. (S)

The President: Well, the first thing we would have to do is to keep the conflict from spreading. Stabilize Macedonia, see where Albania is, and Bosnia. So stabilizing the perimeter would be first, then focus on the core. We've got to worry about a Balkan echo effect. (S)

By the way, I met briefly with the leaders of Albania and Macedonia at our Prayer Breakfast. They're young, energetic, earnest. And they've been supporting our efforts for their own stability. (S)

President Chirac: I don't want to call into question the positive image you have of the Macedonian Prime Minister. But you know, the strongest support Macedonia received in its disputes with Greece came from China. And then the first thing the new Prime Minister and Foreign Minister do is to recognize Taiwan. It's thoroughly corrupt. (S)

President Clinton: We don't agree with what they did, but you have to assume that Taiwan also promised them aid that China just could not match. They are flush with cash. (S)

Samuel Berger: I don't want to cut this short but I think it's time to move into the expanded session and to talk about some of the other items on the agenda. (U)

Expanded Session [Cabinet Room]

The President: Jacques, why don't we talk about the NATO Summit meeting in April, and also about the international financial system. We're in no rush, but I would like to talk about Russia and where you are on the Middle East. We saw each other in Amman, but that was only for a brief conversation. I'm happy to start, wherever you want. (S)

President Chirac: What would you like to begin with? (U)

The President: It's your choice. Perhaps with NATO? (S)

President Chirac: Okay, let's start with NATO. In preparing for the NATO meeting, I think there are a few specific problems for us to discuss. First, ESDI. What was the feeling on the U.S. side about the British initiative that led to St. Malo? We want to develop with NATO's overall agreement. Then there's our position on Berlin plus and in particular, setting up a chain of command if the action is to be by Europeans without the U.S. We need to move beyond Berlin, and especially to the question of a European chain of command for European operations. We're waiting for a U.S. reaction. (S)

Second, there's another problem which merits discussion -- under what conditions can NATO intervene? Does it need a UN mandate -- a green light from the UNSC -- or can it act alone? Third, we should focus on new missions for NATO, including proliferation. Fourth, the question of the Open Door -- and that's the question of the new members in particular. (S)

On the first two issues, I welcome your reaction. We would like to talk about the size of the task and NATO enlargement, which is not a major problem but there's still work to be done. Anyway, what is the position of the United States? (S)

The President: Let me mention a few issues. First, I strongly support the work you and Prime Minister Blair are doing on ESDI, which should be part of the summit results. We need to build on

Berlin but make sure it's part of NATO. This is important as a practical matter to keep the U.S. and Congress on board as we with problems requiring us send troops into problem areas, as we are planning for in Kosovo. A capable ESDI will be an important development. We've already taken one step in that direction through the way KFOR is evolving -- with the Europeans providing 85 percent and the United States 15 percent of the force. So we need to continue to build on the Berlin-framework and to keep ESDI part of NATO. But it's also a very important next step in terms of European integration and leadership. (S)

On mandates, our goal should always be to act with the endorsement of the UN. The problem is unusual circumstances. We have a real problem agreeing in advance to a blanket requirement when we can't predict circumstances. What we should do is proceed in terms of the purposes and principles of the UN. We need a formula to allow us to pursue action in consistency with the UN but without giving Russia and China a veto over everything we do. (S)

On Open Door, I agree it must remain open. We need to encourage the Romanians and Slovenes and others. I know you believe strongly that Romania should come forward. I'm concerned that the Romanians just can't afford to go forward now -- it would create an economic burden and we'd cause an economic car wreck given the requirements. Beyond that, I don't believe I could get it through our Congress now. That could change in a year or two. I'm supportive, but we need to wait. (S)

My main problem with Slovenia getting in is not so much the financial burden for admission but the pressure building up to include the Baltic area as part of a second enlargement tier. There's a financial burden problem, but also the problem of heightening suspicions at a time of heightened Russian uncertainty and vulnerability. They're even more suspicious than they were 4 or 5 years ago when their economy was better. (S)

So what I'm worried about -- apart from Romania's problems with its economy -- we estimate it would require a sizeable slice of their GDP -- is how to manage the Baltic issue. It's the most difficult question. We want them as partners in EAPC, but they still have tensions with the Russians over minorities rights and energy. We don't want to complicate our efforts to support Russia in restoring stability and growth. But over time, the Balts should be in. (S)

I'm frankly also worried about the political interplay: what we can get through Congress? Which countries should we be pushing? What happens if we create second tier status for others? What do we do about the Balts? (S)

I hate talking about something I don't have an answer to. (S)

President Chirac: You have correctly addressed the problems. As for France, we are not looking for a major debate and we don't need a decision on ESDI at the Washington summit -- we just need a mention of the need to follow up on Berlin decisions, taking into account the French position. (S)

With regard to enlargement, we understand fully the Baltic states' status; it is premature to talk about the Balts, and a problem in terms of Russia. With regard to Romania, we should think about our diplomatic presentation. We don't want to close the door on a number of countries and discourage countries like Albania and Macedonia -- we need a clear way to leave the door ajar and say "maybe in a few years." We must convey the message that this is not the end of the story on enlargement. (S)

On mandates, this is a problem which has us disturbed. A few months ago, the Africans decided in the OAU to lift the UN Libya sanctions. We took great pains to explain that they couldn't do this alone -- it was a UN decision. We can't upset the international order. Well, we managed to bury this problem under the carpet -- few of them acted on it. But we can't say that NATO is the only organization that can act without UN accord. It would be a dangerous precedent for other, non-Democratic institutions and it would create instability. Of course, the question of Russia and China is a problem. They must accept that there is an international order, and international rule of law with democratic principles that must be followed. I think the Russian and Chinese veto is passe. We need a formula that takes into account the fact that there are international rules and law. (S)

On the last question of missions, there is nothing major. (S)

The President: The OAU argument sounds compelling but there is a logical difference between a regional organization acting in conflict with prior UN action versus NATO taking action not in conflict with existing UN policy. They are not parallel. {My Secretary of State just handed me a note.} Maybe we can go back to something like the '94 Summit language offering to get into

peacekeeping operations 'under the authority and auspices of the UN' and read that as a sort of authority? (S)

President Chirac: Bill, that is a formula we can agree on. (S)

Secretary Albright: Another possibility is no language at all. (S)

President Chirac: That would be okay. The possibility of no language at all means the '94 language is still applicable. Or we repeat the '94 language. I like what you've just proposed but we could agree to either. I don't think there'd be any difficulty with this. Either we have no language at all, in which case we rest on '94, or what you've just read out -- the '94 language again -- to which we agree. Let's let our foreign ministers decide. That's one problem solved. (S)

The President: Okay, now maybe we can turn to the international economy. Should we go to lunch or continue to talk? (U)

President Chirac: You are the host; whatever you prefer. (U)

The President: Let's go through international financial architecture before we go to lunch. It'll improve the digestion. (U)

President Chirac: First, I want to tell you, we're all very impressed by the speech you made about humanizing globalization. This is very much our own way of thinking on how to take this into the next century. We agree completely that globalization is inevitable, necessary even, and brings benefits -- but there are also social drawbacks we need to master. (S)

In terms of the international financial institutions, there is a great fragility. In 1999, we need to take certain decisions through the G-7. First, we need to better control abrupt capital flows. The problems are made worse by hedge funds and off-shore money. Our experts should work on this. (S)

Second, we need to better engage the private sector. I met yesterday with all the heads of the International Financial Institutions. All agreed we need to give greater political and economic means to the IMF and the World Bank, to increase their speed and efficiency. In particular, it is especially important the Interim Committee undergo reform and include the Finance Ministers. There should be a summit this year to take this

decision to renovate the Interim Committee. There are too many Europeans. It is outmoded. (S)

Third, we must also discuss at the G-7 Finance Ministers and in Cologne decide on a leaders summit by the end of the year, perhaps in November or December. I have been thinking about what Wolfensohn said about a social safety net -- the World Bank should be able to extend its functions. (S)

The last problem is the debt of the poorest countries. We are very favorable to the proposals you made; the Pope spoke up. Perhaps the G-7 could give proper impetus to this kind of thing. For us, debt forgiveness is a must. We need to be much more generous. Secondly, the burden must be shared, and not made to penalize those who've been most generous in the past. We should propose to devote a certain percentage of GDP to debt relief. Years ago, 7 percent was said to be a benchmark. Thirdly, and in return, we need an effort to establish better governance on the part of receiving countries. (S)

Regarding the Euro, I am happy to note that political and monetary leaders in the United States have commented very positively on the Euro. It is sheer stupidity to think of it as a rival to the dollar. It exists to solve the problem of volatility of European currencies. It is absurd to think of it in terms of being in competition with the U.S. dollar. (S)

The President: Thank you for a most comprehensive statement. You raised six issues; I will run through each quickly. (U)

On financial reform, it seems to me the problem is we had too much enthusiasm for investing in Asia and Russia and other emerging markets. We all were sufficiently insensitive that these opportunities had to be seen in context of intermediate systems and structures lacking in the countries, not just the investment funds here and the good projects there: central bank, tax laws, securities and exchange commission, and a banking system, so I think the first and most important thing is to have good transparency in the infrastructure of market economy in those countries. (S)

Second, these problems have been aggravated by hedge funds, because people can put up so little and leverage so much. It is appropriate to get our experts to work on this, but the off-shore issue will remain a problem -- there's always some place to hide. (S)

Number three is contraction. You mentioned the importance of the social safety net. We agree but we also need to recognize that we need some engine to restore growth. The problem is those countries are burdened with debt and debt servicing -- there are no funds available for the safety net. The problem of contraction is how to expand economies with budget deficits and debt servicing without pouring good money after bad and without adequate institutions? In Russia, all of the IMF money has flowed out of the country within 48 hours. Traditional solutions to a recession, like pumping money into the economy, is inconsistent with debts and deficits. (X)

On debt relief, Schroeder has a good idea.. I sent you a letter. You really sensitized me to this issue. I am open to more suggestions on debt relief. (X)

I agree with you that Wolfensohn hasn't got the resources to deal with the problems he faces. We need to be honest about this and concede they don't have enough funding to do their job. We need to find a way to increase the IFI's resources. (X)

At the G-7, I hope we can have a private, relaxed conversation about our responsibilities to restoring growth. The problem of contraction in the world economy is disastrous for poor countries. I'm sold on the need for more debt relief. But we're also facing our largest trade deficit ever. We've been willing to absorb exports because our economy is strong and unemployment low. I won't get protectionist but we can't allow dumping, like in the case of Japanese steel. Primarily we try to keep our markets, but also enforce our trade laws. (X)

How can we help restore growth in Japan? Is there any way Europe can take great Japanese imports and not slow European growth down? If you slow down, we've all got a problem. We need a forum to discuss this that won't find its way into the newspapers the next day. (X)

On the Euro: Since the time I first ran for the presidency, I've always been supportive. I don't feel we're threatened or competitive. Any thing that contributes to Europe's integration and helps people improve their lives is good for us. Anything that makes democracy stronger is good for us. If you're stronger and can play a more responsible role, I'm for it. Don't worry about what you see in the papers. There are different issues you'll have to work out for yourselves, like Spain and Portugal, but I'm for it. (X)

Finally, we need to find a way for leaders to express ourselves to the public on where we're going. Before we do it, I suggest we meet first at the G-7 to take stock of where we are. Here's why I think that. When I first started, I thought of the need for Bretton Woods II -- a modified role for the IMF, World Bank, and new accounting system in developing countries. We're doing it incrementally. What we're left with is the pink elephant in the living room of economic contraction and market economies and democracy failing millions -- with millions falling back from middle class to poverty. The question is how to get growth back, without inflation? We need an international system to prevent the swing from boom to bust. We've managed to do it at national levels -- we need to do it internationally. (S)

Robert Rubin: We share the same objectives. The system needs to function better. These questions are extraordinarily complicated and there are conflicting solutions. The most obvious things to do are not always so clear. (U)

I want to underscore what the President said about being positive about the Euro. And also that we need private sector capital for developing countries to grow. We should avoid doing anything that would cut off that flow. (U)

The President: I was talking about the global financial problem as if it were one thing. Actually it is three big things. The global financial architecture. And what to do about contraction. And how to coordinate our efforts. At the end of the day, we need to narrow the band of ups and downs and avoid the pure hell of a South Korea or Indonesian and don't have countries like Brazil, Argentina and Mexico scared to death about what's going to happen if the cost of borrowing and capital go through the roof and bring down the economy. What we have are hundreds of millions of individuals getting screwed by contractions. So in Germany, we need to lead with the right architecture. We need a long meeting, see how to go forward. (S)

We need to go to lunch. See, I told you I'd give you indigestion. (U)

President Chirac: One reaction. France has never proposed a system of target zones. That came from Germany. We want to discuss improving cooperation. (S)

The President: Let's go to lunch. (U)

Lunch Session

[After a conversation in which the President recounted the history of the Old Family Dining Room, stories about the Roosevelts, and efforts to save the American buffalo.]

President Chirac: Maybe we can start with the Middle East. I've talked to Mubarak and Peres about the elections. What do you think? (S)

The President: Any of the three can still win. I'd have to give the advantage to Bibi. His problem is the public knows he has not pressed the peace process consistently, he is constantly to the right of the rest of Israel, and there is real mistrust, which was compounded when Mordechai left the government. So he's vulnerable. Mordechai is a very good man. Only soldier to head all three branches of the military. And he's Sephardic, he comes from a growing base. So he's got the security background and the ethnic background. But he has no political experience at all. Barak is, I believe, the most decorated soldier in Israel. He's a good man. But he hasn't captured the imagination of the people. So I would see a run-off between Bibi and one of the other two. And the second round is anyone's guess. (S)

Now, Hamas will do all it can to create incidents and benefit Bibi. Which is why managing Arafat and avoiding a unilateral declaration that would ensure Bibi's election is important. We need to help Arafat fight terrorism and no unilateral declaration. (S)

Now, of course, depending on the outcome, it's also possible Bibi could be freed from the far right and build a new coalition. (S)

President Chirac: I fully understand the U.S. position on a unilateral declaration on May 4. The EU can be more nuanced. We can't make a condition of Israeli agreement to independence. And for political reasons Arafat is determined to declare unilaterally on May 4, which would be bad for him because it would be good for Bibi. We need a solution for him to save face. We could ask Arafat to push off the May 4 announcement, but to commit now to the nature of the future state. He would say he will continue to negotiate with Israel, renounce the use of force, heavy weapons, military alliances. In exchange, the EU would take note and commit to recognize the PA state at the time of its creation. We need to avoid locking ourselves into a

situation in which Arafat feels compelled to declare on May 4.
(S)

The President: If the Europeans were to take that position, it could give Arafat cover. We can't because we're party to Oslo. We'll stay with our position but it would be a very positive development if your plan works. (S)

Secretary Albright: On the language, it would be very helpful if you were to say you will recognize the state 'that emerges from permanent status negotiations.' That would show your support for the process. (S)

President Chirac: The difficulty of that last proposal is that there will never be a solution to Jerusalem. We need complicity between the U.S. and Europe. You can have a hard position, we can be more open. We want to avoid Arafat making a mistake. I gave Schroeder a non-paper on this and I'll give it to you too. He's favorable. He first thought we should line up with you, now he agrees with this approach. (S)

The President: Well, I see a real possibility there, but we need to talk about the specific language. I disagree on Jerusalem -- I think it can be solved by a territorial fix through changing the boundaries. Religious sites will be the toughest part. But the fundamental problem is that the heart of Bibi's base does not want to give up land. But on your idea, I like it, Europe can take a position different from the U.S. The period from May 4 through May 17 will be high tension. We need to take the pressure off. (S)

President Chirac: That's good, we can avoid putting Arafat in a corner. By the way, I don't know if you noticed when we were all in Amman walking behind the coffin. It was a tough walk. Everyone was laboring except for Arafat, who was like a rabbit. You can always tell a lot by how someone walks. (S)

Foreign Minister Vedrine: What can we do if Bibi is re-elected? It will be impossible to make progress. (S)

The President: It would depend entirely on the circumstances of his re-election. For example, if there's a run-off with Barak and you have Benny Begin with 6 or 7 percent endorsing Bibi. Let me say, Bibi comes from a serious Likud intellectual family. In his heart, he has trouble with the PA and with giving up land. He has a real conviction, deep feeling. He's not just a political animal. He has a real problem with land -- and also

no margin politically. So anyway, if Bibi wins by say two points in a run-off based on support from Begin, and parliament splinters even more, it will probably be just like before. Bibi would need to win without Begin and with help from moderates to govern differently. I believe that's what he would do if he had more room. (S)

Secretary Albright: There could also be a national unity government. (S)

The President: Yes, of course, if there is a real split in the voting. And then, we could see progress on peace. (S)

President Chirac: On Jordan, I got your letter, I agree with it and I responded yesterday. We will participate in the effort. Even the Finance Minister accepted to do something he normally would not do. I know Abdullah. I trust him. He is capable of governing. He's calm, reasonable, intelligent, and well established in the country. I'm not worried. There is leadership. (S)

I'm curious to know what is your present position on Syria? We're facing delicate succession issues and the prospect of great change with Assay's efforts to push his son. He's of good quality but not exceptional. Medium intelligence. Not enough to hold the reigns of power. He's just been named pro-consul of Lebanon. (S)

The President: I have more questions than answers. Does the fact that Assad decided to start the transition make an agreement with Israel more or less likely? Without one, and without good relations with the rest of the world, Syria can not have a long term relationship with a moderately independent Lebanon nor is it likely to stop supporting terrorism. I didn't really talk to Assad in Amman. (S)

President Chirac: Peace with Israel is in Assad's interest. He's worried now about succession for his clan and his son. An agreement is a necessity. He can achieve it but no one else can. If he doesn't make peace, no successor will be able to without being overthrown. So the future of the succession depends on the degree to which Assad can settle this problem. But he is very limited in his ability to make concessions and Bibi is accepting nothing as usual. And Assad is very slow in making decisions. (S)

The President: You think he is still willing to make a deal with Israel during this transition? (S)

President Chirac: He cannot not be interested. But its dangerous and the situation in Lebanon is very bad. (S)

The President: I'll keep trying to get them together. But the Israeli elections make it difficult. (S)

Jacques, there are a few other important issues we should touch on. We really need to work out these trade disputes -- bananas, beef, hushkits. I thought I should mention them. And Iraq. I hope this will not continue to be an irritant. Saddam will exploit our differences. We want to work together. We're open to working toward common positions. (S)

President Chirac: France is sensitive to bananas because we're a producer and the American big three produce them based on low wages. This distorts competition. But this is a dispute between the EU and the U.S. and of course we're in solidarity with the EU but it's not my dossier. Anyway, it goes back some time because U.S. banana interests are based on slavery. (S)

On Iraq, we will find a solution. We've made proposals for the medium and the long term. For the short term, we need to get out of this crisis. We are open to solutions. (S)

On beef, we're very sensitive because of mad cow disease and because your product is not natural -- we have to be very prudent. (S)

The President: In terms of a new WTO round, we would like to do something in terms of labor standards. (S)

President Chirac: That's a very good idea for bananas. But seriously, we agree. Also, it would be very good if the next WTO director was from the south. (S)

Let me quickly mention the Sahara, where of course we support the King of Morocco. (S)

Samuel Berger: Mr. President, I gave my word of honor to Ambassador Bujon that we would release President Chirac by 4:00 p.m. He's hosting a reception at the French embassy for 1,000 people and I promised the ambassador. We need to start preparing for the press conference. (U)

President Chirac: Yes, thank you, I'm looking forward to the reception. But before we get up, a quick word about Russia. I found Yeltsin very weak in Amman. This is a big problem. (S)

The President: We think we should work with Primakov. We hope he stays. He's a stable force. But he's fragile economically and a nationalist. He's always quick to assume our suggestions are designed to weaken Russia. We want a strong Russia. We're better off with a strong Russia. We need to bolster him, give him self-confidence. Primakov's the best we can do -- smart, strong, secure with the Duma. But this is very tricky. (S)

Okay, I don't want to undermine Sandy's commitment to the ambassador. (U)

-- End of Conversation --