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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telephone Conversation with Russian
President Yeltsin (✓)

PARTICIPANTS: President Clinton
Russian President Boris Yeltsin

Interpreter: Kyril Borissow
Notetakers: Cindy Lawrence, Sean Tarver,
Frank Jarosinski, Robert Ford, Daniel Kunin,
Andrew Weiss

DATE, TIME August 14, 1998, 10:30 a.m.- 11:06 a.m. EDT,
AND PLACE: Oval Office

THE PRESIDENT: Hello Boris. (U)

PRESIDENT YELTSIN: Bill? (U)

THE PRESIDENT: Thank you for taking my call. Hillary and I are really looking forward to our visit in September. I hope that you are getting a chance to rest, though I know that you are working even on vacation. (U)

PRESIDENT YELTSIN: Of course Bill, this is a common job, common work we do, and we follow each other closely, and this is the only way we can move forward. I am looking forward to our meeting in Moscow. (U)

THE PRESIDENT: Me, too. (U)

PRESIDENT YELTSIN: I think that this time we have made very good preparations on economic points, and the Gore-Kiriyenko Commission has done a very good job, and the political aspects have been prepared by Mr. Primakov and Madame Albright. I think the preparations and discussions within the Commission are encouraging, and through their work they facilitate things significantly for us, Bill. However, we will face very complex and difficult issues when we meet. We will discuss our joint

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statement concerning challenges on security on the threshold of the 21st century. But I think that there are no questions that we cannot resolve through our joint efforts, you and me. I think the next meeting will prove to the entire world that we are quite capable of resolving these issues. What is your view?
(Ø)

THE PRESIDENT: First of all, I agree with the statements you made. But I am concerned about the financial situation around the world. I have been following Japan, China, South Korea and others. I know you face a lot of pressure in Russia, both economic and political. I think the program Kiriyenko and Chubays put in place is absolutely critical to find a path out of the financial crisis. You have made the right choice but markets are very volatile and still somewhat negative. I just called in part to get your feeling about what is happening and what needs to be done, because I want to be out there advocating the right course. (Ø)

PRESIDENT YELTSIN: You see, Bill, of course, I am very worried and very concerned over this whole financial situation in our financial markets. And I think that your decision will be of very critical importance, and I am referring to the decision by the IMF about the second tranche of the loan to Russia. I think that decision should come no later than September 15. If that is done, if the decision is taken by that date, it will send a major signal and important message, you see, Bill. If your markets were to cooperate in the proper way, and American investors were not to place any limits on Russian ventures, we will continue our cooperation. I think this is the only way forward out of the current situation. You see, Bill, the most important thing now in my view is for the U.S. Treasury Department to recommend that American investors not place any limits on economic operations with Russian economic actors. We should all work to restore normal operations. I think that this is of the utmost importance and the only way we can move forward. (Ø)

THE PRESIDENT: Well, Boris, first of all, you know that I want to be as supportive as I can, and I have tried to be. I think that in order to -- the problem with getting money from the IMF is that it is not enough money to make a difference unless it changes the confidence of the world investment community. In order for it to work, I think that it is very important in Russia that you and Kiriyenko be seen as working together hand in hand very strongly because people take their cues from you more than anyone else. The second thing is that we have to do

something to get your Duma to help you, to support you more, and perhaps there is something that I can do to help you during my visit in September. I could meet with them in small groups if you want, I don't know. But an early release of funds from the IMF will only help if it lifts confidence. Let me also say that I sent our best expert, David Lipton, to Moscow to meet with Gaydar. I hope that you will talk to him to get a sense of possible actions you could take to work through this. I think this is an urgent problem. I want to support and help you to make it work, but in order for it to work, there has to be a feeling in the world community that there is a very aggressive Russian response. (Ø)

PRESIDENT YELTSIN: Bill, I have already discussed this matter with Gaydar the other day, and he agreed we should involve him in a more active fashion. I agree with you, Bill, that we should pursue a more energetic and vigorous line here. I believe it would be worthwhile for us to take steps jointly with the Duma and face the Duma together. That would be a real shocking situation for them, the members of the Duma, and I think it will be a sure win for us. You know, members of Duma are not accustomed to seeing their own President on their premises, but if the President of the U.S. comes to Russia and together with the President of Russia, you and I go to the Duma and address them, I think that it would be a very strong move on our part. (Ø)

THE PRESIDENT: I think we ought to do whatever has the most positive effect on them. Whatever I can do to get them to vote for you and your program. That is what I want to do. You and your people can think about it, and we can work it out. The other thing I want to say here is that it will probably be necessary for more movement to be generated before September 15th, before the IMF meets again and even before I come over there. I don't know what exactly can be done. I know that you are trying to bring the Duma back, and I think that is a good sign, and I will be as supportive as I can. But our people are worried that the financial markets are changing so much that it won't last until I get there, and that is the real problem, and that it won't last until the IMF releases the money. [Note: Yeltsin interrupts and says, "I agree" in Russian.] I just wanted to get your ideas about what I can do to help and to tell you that I will support you as much as I can. I think the world has a lot at stake in Russia's success, and the U.S. has a lot at stake in Russia, and I wanted to encourage you and get your ideas. (Ø)

PRESIDENT YELTSIN: I agree. You see, Bill, you know my reaction and attitude, we, of course, spend all the time working together closely cooperating in pursuing a common policy. I think this is the way we should work in the future as well. The most important thing in my view is to take this major political step that I referred to earlier. If we decide to go to the Duma together, perhaps we could call it a revolution, a small one, but a revolution, I think. But you see, Bill, I think that we should keep the whole thing under wraps, it should be kept secret. No one should learn what we are planning to do. I think our telephone line is reliable and will not let out this secret. Everything should be done to keep it secret and under wraps. No one should have any idea what we are going to do.

(Ø)

THE PRESIDENT: Well, you know, between now and then -- I think you have a very good team and access to some very good advisors. Gaydar has very good ideas, which he discussed with our man Lipton. I think you ought to consider bringing them in and giving them a quick deadline in the next few days to give you new options in dealing with this crisis so that we can get to September without anything bad happening. It's all psychological. It's a question of taking moves that change the psychology of these markets. I think they can come up with other ideas, and you have very good people, but you have to keep trying things to stop the slide until I get there in September.

(Ø)

PRESIDENT YELTSIN: I agree with you Bill, and I have already started working in that direction. I have already talked with Gaydar, and he agrees to work together. (Ø)

THE PRESIDENT: That's great. (Ø)

PRESIDENT YELTSIN: He agreed to work together, not necessarily as a member of government, but agreed to work with us to pursue the same line, the same ideas. (Ø)

THE PRESIDENT: We will keep working with you and do everything we can to be supportive. If you want me to go to the Duma I will, and I can't wait to see you. I would like to say a brief word about Kosovo. Violence continues, and a humanitarian crisis is looming. It is clear that Milosevic has not kept his promise to you. His attempts to impose a military solution have already driven more than 200,000 civilians from their homes. We are working hard with the Kosovar Albanians. Our Ambassador, Chris Hill, hopes that they will announce a negotiating team

this week. But it will be extremely difficult to get talks underway and keep them going if this harsh offensive continues. Many of us believe if the situation continues to deteriorate we will be forced to respond with or without the United Nations. I don't want that to happen. The only way to avoid this is if Milosevic knows that we are united. Only you and I and our two countries can do this. (S)

PRESIDENT YELTSIN: Bill, of course, we should not be complacent and make pretense that everything is okay and the situation is under control. It is still a very dangerous situation, and tensions are running high in Kosovo and around it, but I know in recent days some joint efforts have achieved some positive developments, and in our talks with Milosevic and your talks with the Albanians we have started the monitoring efforts which are underway and functioning. The international humanitarian organizations have free access to all of Kosovo and we should continue this cooperation and do all we can to prevent a military solution to the problem of this conflict. We need to take a balanced approach and in a balanced manner try to influence all the parties in the conflict. The most important thing now is to prevent a military solution to the conflict and to continue to cooperate on other efforts as well. (S)

THE PRESIDENT: I agree with that, but I think that is exactly what Milosevic is trying to achieve. (S)

PRESIDENT YELTSIN: I think we should persevere in this effort and should be firm in this policy and try to bring it to a logical conclusion. I am referring to a peaceful resolution to this crisis, all the more, since we are in agreement. When we are in agreement, there is no problem we can't successfully resolve. (S)

THE PRESIDENT: I agree, but I ask you to remember that I think that if Milosevic believes he has a green light from Russia for a military solution, it will be much harder to get him to negotiate. You will have to keep the heat on him and get him to negotiate. (S)

PRESIDENT YELTSIN: I agree with you in the sense that we should keep him under control at all times. (S)

THE PRESIDENT: Thank you, I will stay in touch. Stay in good health. Enjoy your remaining days. I will see you in September. (U)

PRESIDENT YELTSIN: I am very glad to have had this conversation with you Bill, and I am looking very much forward to our meeting. What is your view: should we give information about this conversation to the press? (S)

THE PRESIDENT: Yes, I think that we should tell the press that we talked about Russian economic challenges and about your vigorous efforts to deal with them and we talked about Kosovo. I think we have to say something about what we said. We pledged to continue to work together and made plans for my trip there in September. That would be my guess. (S)

PRESIDENT YELTSIN: Okay. (U)

THE PRESIDENT: Thank you, Boris. (U)

PRESIDENT YELTSIN: I am glad that our views are identical on this matter, and we will continue to proceed in this direction. (S)

THE PRESIDENT: Great. I will see you soon. (U)

PRESIDENT YELTSIN: I hug you, Bill. I give you a good warm hug. (U)

THE PRESIDENT: Thank you, Boris, goodbye. (U)

PRESIDENT YELTSIN: Goodbye, Bill. (U)

-- End of Conversation --

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