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MEMORANDUM OF CONVERSATION

SUBJECT: Meeting with Prime Minister Vladimir Putin  
of Russia (S)

PARTICIPANTS: The President  
Secretary of State Madeleine Albright  
Samuel Berger, Assistant to the President  
for National Security Affairs  
Gene Sperling, Assistant to the President  
for Economic Policy and Director of the  
National Economic Council  
Stephen Sestanovich, Ambassador-at-Large and  
Special Adviser to the Secretary of  
State for the New Independent States  
Ted Truman, Assistant Treasury Secretary  
Robert Wescott, Special Assistant to the  
President for International Finance  
Andrew Weiss, Director for Russia/Ukraine/  
Eurasia Affairs (notetaker)  
Nick Sorokin, interpreter

Prime Minister Vladimir Putin  
Foreign Minister Igor Ivanov  
Gennadiy Shabannikov, Ambassador of the  
Russian Federation to New Zealand  
Sergey Prikhodko, Deputy Head, Presidential  
Administration  
Mikhail Fradkov, Minister of Foreign Trade  
Aleksandr Livshits, Special Presidential  
Representative to International  
Financial Institutions  
Igor Sechin, Secretariat Head, Office of  
Prime Minister  
Interpreter

DATE, TIME AND PLACE: September 12, 1999, 1:31 - 2:42 p.m., (local  
time) Stamford Plaza Hotel, Auckland

The President: I had a good conversation with President Yeltsin in preparation for our meeting today. First of all, I wanted to express condolences on behalf of the American people for the terrible apartment bombing incident and the lives lost. We have had similar incidents, and I know that they can frighten people tremendously. (U)

I would like to discuss the important issues in front of us that will shape our partnership in the years to come. Then I'm happy to listen to any issues you'd like to raise. (S)

First, on arms control. Strobe has been in Moscow for discussions with Mamedov. These are important discussions, and I know that they are difficult. I want to make clear that I wish to preserve the ABM Treaty, which is important to both our countries. However, there are forces in our Republican Party who would like to torpedo the ABM Treaty. (S)

But it's also clear that there are new threats to both the United States and Russia from countries such as North Korea. There is also new technology that is being developed that might become a viable means to provide types of defenses that previously have not been available. (S)

I only want to repeat what I told Boris: I want to work on this because of the perceived new threat from certain countries. If there are any benefits from this new technology, I think they should be shared by the United States with other countries as much as possible. (S)

I also support the desire of your country to try to cut levels of weapons below START II levels. At present, I am not able to agree to go as low as you would like, but I told Boris that I want to come as close as possible. We need to keep talking about this issue. (S)

Second, on nonproliferation. You have worked hard to build the legal foundations that can be used to stop the flow of sensitive technologies. I have that these foundations can now be used effectively. That is essential to head off new sanctions legislation. As you know, our system finds hundreds of violations every year. (S)

There is strong support in Congress for new sanctions legislation against Iran, Iraq, and similar countries. There's a good chance that this legislation will pass within coming months. I've been fighting the people who want to impose new

sanctions legislation. Boris knows that. But they have a new head of steam. Your government's cooperation on this issue with the Vice President and Sandy Berger is very important to what happens next. (S)

On Dagestan, I know that you have faced difficult situations in Chechnya and now Dagestan. I have spoken out about this problem. So long as you use appropriate means to fight terrorism and separatists, the United States will stand with you. (S)

On corruption, these inquiries on money laundering are important, and there is only one way to handle them. I am encouraged that a team of your law enforcement officials is coming to Washington next week. These cases must be handled on their merits. They must not be politicized. (S)

What Boris told me on the phone was also important. He said that the reason he vetoed the money laundering bill was because of Constitutional problems with the bill and that he would sign a new and improved bill. I think it's important that this happen as quickly as possible. (S)

On economic reform, I want Russia to be strong and successful. Your economy is benefiting because oil prices are going up. The IMF has said that it will work with you in a transparent way. That cooperation is important and can help put the worst of your economic problems behind you. The most important thing you can do is articulate a clear strategic plan on economic reform and stick to it. That will have a good impact on your discussions with the IMF. I guarantee that they will be willing to help if you show that you are willing to help yourselves. (S)

I know that you probably also want to talk about Kosovo. I have talked enough. There are probably other issues, too. But you know that I have tried hard to be a friend of Russia's and Boris's. I hope that you will contribute to taking Russia in the right direction. (S)

Prime Minister Putin: First of all, I'd like to thank you for meeting with me. The President and I discussed in great detail you last phone call with him. He also described the things that you have accomplished together, and I must say that I appreciate your unwavering support for cooperation with Russia. I believe that this approach might be traced back to your years working with Senator Fullbright. If I recall correctly, he had a similar attitude about the U.S. approach toward the Soviet

Union. I think that you have shown a very open-minded and constructive attitude toward my country. (S)

That's why I think it's important to implement all the agreements reached at the last meeting between you two Presidents. All our efforts are being directed at implementing these agreements. The American Secretary of Defense is arriving in Moscow today. I also am looking forward to the visit of your Secretary of Energy. (S)

The Russian side is prepared to engage in serious dialogue. I feel sorry for your Vice President. The Prime Ministers on our side keep changing. This has to do with our domestic politics, but we understand that it's not conducive to building strong ties. You are right that the issues before us must command constant attention. (S)

Regarding the reports that have appeared in the press [about Russian involvement in money laundering], I am well-informed about your position, thanks to the contacts between Foreign Minister Ivanov and your Secretary of State. Foreign Minister Ivanov plans to be in New York for the United Nations General Assembly, and I do hope you'll find time to meet with him. (S)

I must say that this scandal is mostly motivated by our domestic politics. I hope I will have chance for a more informal conversation with Mr. Berger. I will talk to him about how we want to build our relations and how we must turn this situation to our advantage. I am absolutely opposed to attempts to play us off against each other. Others are trying to do this for their own reasons. If they succeed, they will gain, not us. People are trying to use this issue to disrupt our relations with the United States. (S)

That is why I support sending our team of experts to the U.S. I need to say that money laundering has always existed in many countries. Russia is simply the victim of such a scheme. To reiterate, I am prepared to discuss the facts in greater detail, if you are interested. (S)

On the issues you raise -- on ABM, my personal view may be closer to what you said than to the positions articulated by other people on the Russian side. I discussed this issue here yesterday and in Moscow, too. I think that the threat of nuclear proliferation is real -- just look at India and Pakistan. There are also other countries to be worried about, the so-called threshold states as well as the rogue states. We

also must take into account the possibility of nuclear terrorism. (S)

The recent terrorist acts in Moscow have to do with the situation in Dagestan. I have every reason to believe that the perpetrators are the same as the ones who delivered the strikes against the United States. Usama Bin-Laden has declared his intention to move to Chechnya. His groups already have a presence in Baku and Chechnya. He hasn't moved because he is afraid we will apprehend him or take other actions. We have serious resources in this respect and will use our technology to our advantage. (S)

I understand the concerns of the United States on ABM. Of course, the process should be set up in a way so that no side is caused undue concern about its own security. I have in mind not just Russia, but also France, China, and other nuclear powers. So, this is a topic for further negotiations. I am aware of the United States' plans. I believe it is appropriate to maintain constant contact. (S)

On START II and START III, we were very close to ratifying START II. I think that future developments will be positive in this area. We have good relations with the left factions in the Duma. We are keeping up a steady dialogue with the people in the Duma who are experts in this area. They believe it is absolutely impossible for them to ratify the Treaty if we don't demonstrate that our other discussions on arms control are entirely compatible, but I have noticed some wavering in the opposite direction lately. (S)

I believe we should continue to develop our overall efforts in the context of further discussions on START III and try to have a positive impact on the START II ratification process. Doing it that way makes me think that START II will become a more realistic prospect. (S)

I don't believe that it is necessary to reduce to the 1,000-1,500 level for strategic systems. It's important to preserve the negotiating process and show the world that we can achieve real results. (S)

You suggested a number of topics for discussion, but I have one more. I would like to thank the United States for the food supplies you have provided. I would like to report to you that all agreements between us are being honored. The proceeds raised by sales of the food are being directed to the Pension

Fund. The only outstanding issue is Dagestan. We have 15,000-18,000 refugees there and would like to send some of the food aid to Dagestan free of charge. (S)

Developments in Dagestan are completely different from what happened earlier in Chechnya. During the Chechen war, many Chechens fled to Dagestan where they were sheltered by Dagestanis. The new fighting was caused by mercenaries from Chechnya and Arab countries who invaded Dagestan. The people of Dagestan joined forces with Federal troops in defense of their homeland. In cases where support from the Federal forces was late arriving, the Dagestanis maintained their defenses until help arrived. They asked for our help. They want us to help arm them so that they can fight against the Chechens. (S)

Most importantly, in terms of the mentality of people from the Caucasus, the Dagestanis believe themselves to be superior to the Chechens so they regard this incursion as very offensive, especially because their land is being invaded by a fraternal nation. That's why the peaceful population is leaving their homes and moving to the capital of Dagestan. I visited and saw how they live. The situation is more stabilized. I think it would be appropriate to send some food to Dagestan free of charge. (S)

On our cooperation on Iran, I must admit that we express opposition to your characterization of the situation. I must draw your attention to the fact that Iran is our neighbor, and it would not be in our interest to strengthen Iran's capabilities in these areas. Yes, it's true that Iran is building new missiles, but they are doing so with western European technology. This concerns us no less than it does you. (S)

The Europeans also are becoming more active in competing for arms sales to Iran. Our companies are feeling the pressure. They say, we want to sell things to Iran, participate in that market. (S)

I think that we must cooperate more closely in having a clearer idea of what kind of cooperation is justified. Where are the right boundaries and limits? I would very much like to emphasize that we understand this issue. We'll continue to work on the issue of export controls, especially in the missile area. But we are very concerned about the training Iranians are receiving in other countries as well. This a subject that demands our constant attention. (S)

The President: What about Kosovo? How do you think we're doing? (S)

Prime Minister Putin: Things could be better. I assume you have information that the Albanians don't want to disarm. I understand that it's a product of your Administration's efforts. I understand that you believe that there were problems of a humanitarian nature. (S)

But you need to put the problem in perspective. We were talking about 50 thousand or maybe 100-150 thousand Albanian refugees. But the number of Serb refugees is three times greater. The most difficult problem is not this. The most difficult problem is that winter is coming. The destruction of infrastructure, especially in the energy area, means that Yugoslavia is in for a very difficult period. (S)

I am aware of your past statements about Milosevic. I think that the fate of millions is more important than the fate of one person. However, our positions on this person closely coincide. From our assessment of the situation, he did not behave appropriately. (S)

What is important is to have good cooperation between our two countries. Strobe Talbott did a lot in the diplomatic arena. We did a lot to dampen the ambitions of the military on both sides. I believe we continue to need each other there. Things could evolve into violence in Kosovo. I believe that we have set a very good precedent on military-to-military cooperation. (S)

One bad thing that we're faced with is the dismantling of Yugoslavia. It's difficult to imagine conditions when the Serbs are going to return to Kosovo. We have similar problems in Russia. Life shows that the use of force does not prompt the final resolution of a conflict. (S)

Dagestan is a small republic. There are 100 different ethnic groups living there. They speak different languages. The international language is Russian, of course. They have their own problems, of course. It's rather difficult for us to manage the problem inside Russia. But most groups in Dagestan support the Russian stance. If you intervene in a conflict with use of force, there are going to be consequences. But otherwise, we'd be deadlocked there. (S)

The President: For things to work out in Kosovo, we need to be together, just as we are in Bosnia. If the UN's representative has a plan for the Albanians to at least partially disarm, we will work with them. We also want the Serbs to return to their homes -- that's their right. (S)

On the economy, it's important for you to fight crime and corruption and enforce the rule of law. EXIM is looking at applications for some projects, and the chairman of EXIM is going to Moscow soon. It's important to get these kinds of things going. (S)

Another example is the team on money laundering that is coming to Washington. During these investigations, it's important to show that everything is being handled by the book. Also, with oil prices high, you're in a situation where you can get a lot more done. I remember that in the early 1990s, you could use a few good international projects to give people confidence that Russia was headed in the right direction. (S)

Prime Minister Putin: We in Russia are used to these kinds of problems. By the way, I met you in St. Petersburg when you visited. Much has been accomplished since that time. Our economic cooperation is very important and will help Russia to develop. The increase in oil prices has also had an impact on the ruble. We will need to devalue it a bit, perhaps 6-8 percent. I have asked the Central Bank to do this and to change the exchange rate with the dollar to make our exports more competitive. We need to avoid a situation where the dollar rate is artificially restricted and then we're forced to do something all of a sudden. We are pursuing a considered plan to deal with the inflated value of the ruble. It's not going to be harmful. (S)

The President: You're going in to an election season. That will be a challenge and an opportunity for us. These elections and how they're conducted are extremely important. I have told Boris this. He's the first elected leader of Russia, but also will be the first leader to peacefully transfer power through an election. That's a great thing. It's a great thing for a country. You've never done it before. I know it won't be the easiest thing. But it's extremely important. (S)

We also need to keep our lines of communication open as we deal with tough issues and you get closer to your elections. (S)



Prime Minister Putin: Yes, that's important. A lot of things are being geared up to ensure that we have good results from the Duma elections. A lot will depend on the composition of the new Duma. Whoever enters parliament, Russia will need to develop its economy and its relations with the international community and the United States. (S)

During the elections, some candidates may say things about the United States that aren't very nice. But that doesn't mean that they have a different view of our relations. I know almost all of the Communists personally. If they keep their position in the Duma, they will advocate basically the same policies as the government. If they stay in opposition, we'll still be able to pursue roughly the same approach. Maybe some of them will call for more of a role for the state in the economy, but in terms of substance, there's no big difference. It's mostly sloganeering.

The President: I am counting on Yeltsin and you. One thing that you have going for you is that you can try to show that there is no credible alternative to the path that you're on. If the opposition doesn't have a credible set of proposals, that will help you. (S)

Prime Minister Putin: Unfortunately, that's not the case. Russia does not have an established political system. People don't read programs. They look at the faces of the leaders, regardless of what party they belong to, regardless of whether they have a program or not. (S)

The opposition's whole strategy during the election campaign is to stir things up, to have an emotional impact on large groups of people. Of course, you are more aware than anyone about this tactic. Starting with any person in a position of responsibility at the local level, the reality is that most people are going to blame him for everything. All the problems will be on his shoulders. (S)

Most of our population thinks that way and is not very sophisticated. That's the reality we need to deal with. President Yeltsin understands this and takes it into account. Some of his statements and actions may surprise you, but you need to factor in how they impact on society and the motivations behind them. You need to take this into account. (S)

Part of his actions are determined by this. Some of his actions are simply mistakes. But leaving aside any statements that have

concerned you, please bear in mind that we have certain plans and are acting according to them. (S)

The President: I look forward to seeing how they unfold. (S)

Prime Minister Putin: I appreciate everything you have done to contribute to the development of relations between our countries. I know that you have other meetings to attend. (S)

The President: Thank you very much. It was good to see you.  
(U)

-- End of Conversation --  
Conversation



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