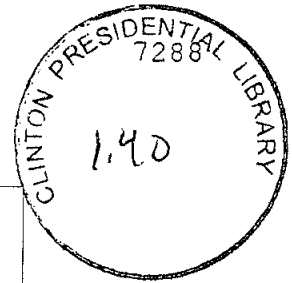


~~CONFIDENTIAL~~

THE WHITE HOUSE  
WASHINGTON



DECLASSIFIED UNDER AUTHORITY OF THE  
INTERAGENCY SECURITY CLASSIFICATION APPEALS PANEL,  
E.O. 13526, SECTION 5.3(b)(3)

ISCAP APPEAL NO. 2013-090, document no. 38  
DECLASSIFICATION DATE: October 14, 2015

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telcon with British Prime Minister Blair  
(U)

PARTICIPANTS: The President  
Prime Minister Blair

Notetakers: Tom Crowell, Frank Jarosinski,  
Elizabeth Rogers and Robin Rickard

DATE, TIME AND PLACE: October 25, 1998, 2:14 -2:42 p.m. EST  
San Francisco, California

Prime Minister Blair: Hi Bill. Congratulations. (U)

The President: Thank you. It was terrible. ~~let~~

Prime Minister Blair: E.O. 13526, section 1.4(b)(d)

The President: I was going home every morning at two or three. The last go around dragged on for 36 hours, like the Irish thing. But to be fair, the difference was you were integrating both into one political system. Here we were dealing with two diverging political systems.

E.O. 13526, section 1.4(d)

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Classified by: Glyn T. Davies

Reason: 1.5(b,d)

Declassify On: 10/26/08

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When you were doing the Irish thing, you were actually in it with them -- you had some leverage. All I can do is give them money and my time. Here I just had to talk them through it and wait it out. It took 85 hours. In the end, everybody pats me on the back; but they have to take all the flak; Arafat took some too. ~~(C)~~

If it works, I think we have a chance to break the whole thing open. If this is faithfully implemented, this makes the ultimate resolution of bilateral issues easier.

[Redacted]

E.O. 13526, section 1.4(d)

The Israelis know in the end they have to have an agreement. I feel good, but we still have along way to go. ~~(C)~~

Prime Minister Blair: I know exactly how you feel. ~~(C)~~

The President: It is a lot like the Irish thing, there are a lot of similarities. But you are in it with them. You have more moral authority. You have to make a decision to release prisoners. I don't. [Redacted] E.O. 13526, section 1.4(b)(d) [Redacted] It is an interesting thing. (C)

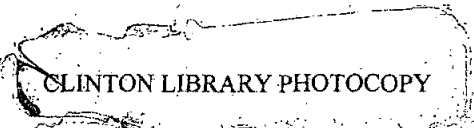
Prime Minister Blair: I was absolutely fascinated watching this on the news. It was a real roller coaster, wasn't it? ~~(C)~~

The President: It was amazing. We had the agreement, then it got undone. We had a deal. You see there were two prisoners. Most can't understand, but you know what symbolic significance prisoners have in Ireland.

[Large Redacted Area]

E.O. 13526, section 1.4(d)

Prime Minister Blair: I can imagine. ~~(C)~~



The President: The beautiful thing about it was Hussein, who looks like he is at death's door. ~~(C)~~

Prime Minister Blair: He is an amazing man. ~~(C)~~

The President: Hussein kept telling them to think about their children. It was a thing of beauty. I would fly him down and he would wait in his house for 30 to 40 minutes for them to come down. Then he would lecture them in a fatherly way. It was bizarre. ~~(C)~~

Prime Minister Blair: I thought this would be an extraordinary thing. To have done it is a tremendous achievement. Even making all allowances, it wouldn't have happened unless you had been there and done it yourself. ~~(C)~~

The President: There was no way. For you it is the same. But there is a limit to how many times you can do this. I had to just get there and listen to them for hours and hours. ~~(C)~~

Prime Minister Blair: We end up being part negotiator, part therapist, and part leader. ~~(C)~~

The President: Someday we should write a book together about these two things, about our role as shrinks. ~~(C)~~

Prime Minister Blair: I could tell when I saw the signing ceremony. I could just tell what must have been going on -- the nightmares to not let it disintegrate. You see they needed a figure there. This is what you will have done. You will have brought them to see in the end that both of them had to do the deal. ~~(C)~~

The President: I don't have any question that I did the right thing, but it was tough for them. I tell you, there is one thing I would like you to do. I wish you would dash off a letter to both of them. E.O. 13526, section 1.4(d)

Prime Minister Blair: I am supposed to phone him, but I will write him a letter. I will definitely do that. ~~(C)~~

The President: Call him, but if you write a letter, it can be released. I know we need to talk about finances and Kosovo a bit, but, the other thing; E.O. 13526, section 1.4(d)

[Redacted]

E.O. 13526, section 1.4(d)

Prime Minister Blair:

[Redacted]

E.O. 13526, section 1.4(b)(d)

Okay, Bill, I will certainly do that. And once again, well done. It was a real personal triumph. ~~(C)~~

The President: Thank you. (U)

Prime Minister Blair: We had Arafat out to the EU get together -- this informal European summit we just had. He told us a bit about it. I will try to gear up the other Europeans to do the same.

The President: Okay, let's talk about Kosovo briefly and then go back to finances. What is your sense of where we are on Kosovo? ~~(C)~~

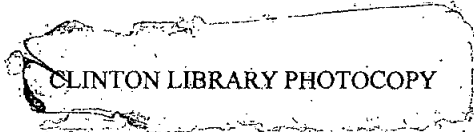
Prime Minister Blair:

[Redacted]

E.O. 13526, section 1.4(b)(d)

The President: I got it. Last night Wes Clark literally stayed up all night working on him. Milosevic agreed to a specific set of things that most reasonable people would conclude if he did between now and the day of the ACTORD, the 27<sup>th</sup>, he would be in compliance. The one thing that is most important is that nothing we and the French say between now and then should look like anything other than that we are prepared to put the planes in the air. We are on the same wavelength. ~~(C)~~

I think that he will do enough to comply for us all to agree that he's done what he has to do. In the last several days, he has done a lot of things to comply but also some backsliding. We just have to hang in there. ~~(C)~~



Prime Minister Blair: I agree absolutely. We are at one with that.

E.O. 13526, section 1.4(b)(d)

The President: That is good enough right now. I don't want to give him mixed messages. Based on his meeting last night with Wes, he will stick on compliance enough that we will not have to use violence, but only if he thinks we are prepared to do it.

(e)

Prime Minister Blair: We are absolutely agreed on that. (e)

The President: On the financial issues, I have a couple of things. I got your letters last week and Bob talked to Gordon Brown. There is a lot of good stuff in there. I would like to propose that we try to put this in context of the heads of state of the G-7 statement. (e)

I would like to give you my view of this and let you respond. First of all, I think we should be looking for -- without raining on what Gordon has done so far -- I think we should be looking for a G-7 statement from the leaders themselves addressing long term reforms and the short term crisis as well as the banking legislation in Japan and what we did with the IMF here. (e)

What I would hope we could do, because I think Rubin has a good sense of how the markets will react, is ideally to get a statement out next week, with or without a conference call with our G-7 colleagues. It's your call as G-7 leader what you would like. Then we would have a statement and it would have the existing consensus on the promise for reform, on a detailed agenda and procedure for achieving consensus. (e)

It would be good if we can get others to agree on this and on a financial architecture. And I would also like to see, and Bob thinks this is really important, an agreement on the proposal for precautionary financing facility. In addition, we could then or later also endorse the package for Brazil that the finance ministers are working on. We know the shape it will be in and who will pony up the money. (e)

It is okay for the finance ministers to announce it, but we need to ratify it in the context of our statement next week -- or when we get it done. If Gordon and Bob Rubin could work to build consensus around these elements, we could then have two complementary statements. First, a leaders' statement describing key elements with consensus on long term reform, endorsing the precautionary financing facility and also endorsing the Brazilian thing. Then the finance ministers and central bank governors could lay it all out in greater detail. I think if you have the finance ministers do something without the leaders at this time, it doesn't break through with the necessary force. ~~(C)~~

Prime Minister Blair: I am in total agreement with that.

E.O. 13526, section 1.4(b)(d)

The President: One thing I can't figure out how to do, is to find a device that all of us can live with directly or indirectly to put limits on the degree of speculation while leaving markets open to trade, investment, and even appropriate hedging against currency reevaluation up or down. We can't have over a trillion dollars a day changing hands without some regulatory limits. We can't afford to have hundreds of millions of dollars moving on a 90 percent leverage where they only have to put up 10 percent. ~~(C)~~

Prime Minister Blair: We need prudent rules. ~~(C)~~

The President: You just can't have 90 percent leverage -- the compounding is devastating. You also have to have some way to buy the private sector into this to stop hemorrhaging outflows from these countries. Some don't feel this way, but these capital credit controls for the short term can work -- just like if the market drops more than 10 percent in a day, we can suspend trading. But they don't work over the long or medium

E.O. 13526, section 1.4(d)

term. Malaysia and Singapore can do this because they have the cash reserves.

[Redacted]

Prime Minister Blair: I agree. These are other things we need to look at. If we do a leaders' statement and finance ministers' statement, it obviates the need for a summit now.

(c)

The President: One thing we should leave in reserve, particularly if there are adverse reactions in the market, is that our absolute outside deadline should be the next G-7 meeting, leaving open the possibility of a meeting in December or January or if we think we have something else to say.

But let me say, this is more about your European political situation than mine. Two things: number one, it is important to have the leaders' statement and let the finance ministers fill in the blanks because you have a new leader in Germany

[Redacted]

Prime Minister Blair: Absolutely.

The President: And we have a new leader in Italy

[Redacted]

Prime Minister Blair: Absolutely right.

The President: It will empower them and makes them members of the club. I think it is very good politics.

Prime Minister Blair: It is why I am anxious to do it. You spotted it absolutely.

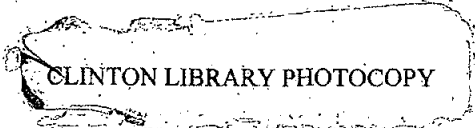
[Redacted]

E.O. 13526, section 1.4(b)(d)

The President: Alright. Have you talked to Prodi?

[Redacted]

E.O. 13526, section 1.4(d)



E.O. 13526, section 1.4(b)(d)

Prime Minister Blair: Yes, he is. [redacted]

[redacted] know D'Alema, do you? (e)

You probably don't

The President: No. (e)

Prime Minister Blair: [redacted]

The President: He did a good job. I'm just sick. I haven't got a chance to call him. (e)

Prime Minister Blair: He would like that. [redacted]

The President: There are center left governments in every country in Europe now. (e)

Prime Minister Blair: It is interesting with its possibilities, but it also poses problems. (e)

The President: Now that we have the responsibilities we have to bear the burdens of the consequences. (e)

Prime Minister Blair: The summit was quite interesting -- the [redacted] (e)

The President: I'll have Rubin follow up with Gordon Brown. We may want to do a conference call next week. We can put out our general statement on architecture of the precautionary financing facility and ratify it when it is done. (e)

Prime Minister Blair: That would be great. [redacted]

E.O. 13526, section 1.4(b)(d)

The President: [redacted] E.O. 13526, section 1.4(d) [redacted] it will give us greater credibility. (e)

Prime Minister Blair: Absolutely. (e)



The President: We also need to show we are serious on Brazil.  
(S)

Prime Minister Blair: Okay Bill. All the very best and once again congratulations. (U)

The President: Okay, goodbye. (U)

-- End of Conversation --