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THE WHITE HOUSE
WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Conversation with Japanese Prime Minister
Ryutaro Hashimoto

PARTICIPANTS: THE PRESIDENT
JAPANESE PRIME MINISTER HASHIMOTO

DATE, TIME NOVEMBER 28, 1997, 0039 TO 0114 EST
AND PLACE: CAMP DAVID

NOTE TAKERS: LYLE HARRISON, PAT O'SHAUGHNESSY, JEFF
RATHKE, ANTHONY CAMPANELLA, CINDY LAWRENCE,
MARIANA PAPADIMITRIOU

THE PRESIDENT: Hello? (U)

PRIME MINISTER HASHIMOTO: Hello? (U)

THE PRESIDENT: Hello, Thank you for taking the call. (U)

PRIME MINISTER HASHIMOTO: I'm going to ask you to speak in
English first. (U)

THE PRESIDENT: Ok, I will go first. We are now facing a
significant escalation in the financial risks in the
international system. (C)

Korea is facing the risk of imminent default, that could
threaten financial stability throughout Asia and other emerging
markets, magnify the challenges you face in restoring growth and
stability in Japan as well as threaten the security environment
on the Korean peninsula. (C)

We need to work together quickly to lead an effective strategy
to avoid this impending crisis, with decisive action in both
Korea and Japan. (C)

Our view is that the only course available to avert default in
Korea is for the Korean government to reach agreement in
principle with the IMF, within the next few days and no later

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than Monday. Only a credible program of economic and financial measures can restore confidence. (C)

I believe that Japan and the United States should be prepared to support a strong Korean economic program with a substantial package of international support, led by the IMF, the World Bank and Asian Development Bank, and supplemented with contingent commitments from a group of countries, just as we did in Indonesia. (C)

Now the Korean financial authorities have asked that the United States and Japan provide temporary financial support in the form of a bridge loan while they work with the IMF over the next three weeks to formulate a program. (C)

None of our people believe this will work. It will not work because no amount of official external support would be sufficient to compensate for the absence of a strong economic program. It would only defer the tough decisions necessary to restore confidence, and it would undermine any incentive for the Korean authorities to act now. We believe that even if we put up the \$20 billion the Koreans are asking for, it would be swamped in three weeks. That is why we believe a bridge loan won't work. (C)

I also believe that this makes it important to move more quickly and aggressively to restore confidence in the Japanese economy. I believe that you are in a difficult situation, but it also is a moment of great opportunity. (C)

EO 13526 1.4d

I want to work with you on Korea but if you take these steps at home you will establish your leadership for a long time in

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Japan. I will support you in every conceivable way. I can't emphasize how strongly I feel. We don't have the luxury of time and can't do the whole job with Korea unless there is a more aggressive plan in Japan. (C)

When you and I were meeting in Vancouver, I wish we had more time alone because a lot of things I had to say to you I didn't feel comfortable saying in front of such a large group on your side and my side. (C)

I always believed that you have the capacity to be the strongest Japanese Prime Minister in decades and history is now imposing a great opportunity. I have talked to President Kim and told him it is our opinion and that of all my advisors, that a bridge loan won't work if he waits three weeks during which time the entire financial community is uncertain about whether he is willing to take the steps he needs to take. (C)

This is all I have to say, I would like to listen to you now.
(U)

PRIME MINISTER HASHIMOTO: Thank you. I don't think my thinking is different than yours. [REDACTED]

EO 13526 1.4b, 1.4d

[REDACTED] I thank you for your phone call. I will be arriving in Japan in a few hours and I will start acting on this crisis immediately. [REDACTED]

EO 13526 1.4b, 1.4d

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EO 13526 1.4b, 1.4d

I wish that I had the chance to talk alone with you in Vancouver but we couldn't talk about anything confidentially. I am going to communicate with you many times on the phone on this issue. (C)

THE PRESIDENT: I think that is very important and over the next couple of days I will be available to talk to you. I know that we have time change problems but you can call me anytime, day or night, and I will get up to talk to you because we are going to have to work together on this. (C)

PRIME MINISTER HASHIMOTO: I am going to initiate communications many, many times and I hope you will too. [REDACTED]

EO 13526 1.4b, 1.4d

THE PRESIDENT: I think we have to emphasize that is what we did with Indonesia. We didn't just give Mexico bridge loans. We gave them funds when they announced a program of reforms which the IMF backed. The IMF and United States did that jointly. If we just gave them the money, people would have withdrawn more than we gave them in just a few days. I must say that I was discouraged when I talked with Kim. It seems to me that he was just reading his talking points and had not come to grips with this. (C)

PRIME MINISTER HASHIMOTO: [REDACTED]

EO 13526 1.4b, 1.4d

THE PRESIDENT: I agree. His Deputy Prime Minister, his Finance Minister, has a better grip on this so perhaps if you could have his counterpart talk to him, I will talk with the IMF tomorrow and try to get them to impress upon Korea the need to come to agreement immediately. (C)

PRIME MINISTER HASHIMOTO: [REDACTED]

EO 13526 1.4b, 1.4d

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EO 13526 1.4b, 1.4d

THE PRESIDENT: Ok, tomorrow I will contact the IMF and urge them that they do this immediately if South Korea is prepared to make the commitments. And I think that we will have to talk again after you talk to President Kim. And if you think I need to talk to him again I will certainly do that. (C)

PRIME MINISTER HASHIMOTO:

EO 13526 1.4b, 1.4d

THE PRESIDENT: I will check on that and we will get back in touch with you on it. (U)

PRIME MINISTER HASHIMOTO:

EO 13526 1.4b, 1.4d

THE PRESIDENT: Yes, we will be very careful and I will be back in touch with you soon. (C)

PRIME MINISTER HASHIMOTO: Thank you, Mr. President. (U)

THE PRESIDENT: Goodbye. (U)

-- End of Conversation --

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