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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF CONVERSATION

SUBJECT: Conversation with South Korean President Kim Young Sam

PARTICIPANTS: PRESIDENT CLINTON
SOUTH KOREAN PRESIDENT KIM YOUNG SAM

NOTE TAKERS: Pat O'Shaughnessy, Cindy Lawrence, Tony Campanella, Jeff Rathke, Marianna Papadimitriou, Lyle Harrison

DATE, TIME AND PLACE: November 27, 1997; 2356-0015 EST
Camp David

THE PRESIDENT: Hello. (U)

PRESIDENT KIM: Hello Mr. President. (U)

THE PRESIDENT: Hello President Kim. I'm calling about the financial situation. I'll make a statement and then listen to your comments. ~~(C)~~

We have been informed by your financial team and by the IMF that your financial situation is extremely grave and that you face the prospect of default in a short period of time, perhaps by the end of next week. Of course this would be terribly damaging for the Korean economy. It would also risk precipitating a further deterioration in financial stability in Asia and around the world. ~~(C)~~

There is also, of course, an important security dimension to this. We don't want to see the peninsula destabilized by weakness in the South, and we know the North is unpredictable and often miscalculates. I think the only practical course is for your government to reach, and announce, an agreement in principle with the IMF, within the next few days and no later than Monday, of a credible program of economic and financial measures necessary to restore confidence. ~~(C)~~

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We would be prepared to support a strong Korean economic program with a substantial package of international support, led by the IMF, the World Bank, and the Asian Development Bank and supplement it with contingent commitment from the United States and from other countries as we did with Indonesia. ~~(C)~~

For this effort to succeed, you will have to lead your country quickly to take decisive action, and only with the support of the entire political leadership of the country will you be able to restore the confidence of the private investors that Korea can deal with the present challenges. ~~(C)~~

Your financial authorities have asked Japan and the United States to 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)~~

You know I would do anything to help you, but all of my advisors and I believe it will not work because no amount of official external support would be sufficient to compensate for the absence of a strong economic program and because it would only defer the tough decisions that are necessary to restore confidence. A bridge loan will not work because the money will all be exhausted in a matter of a few days so we could all lose some money and it wouldn't do us any good. ~~(C)~~

This is an extraordinary challenge for your country. We are prepared to support you, as is Japan, and the IMF. But no amount of support can avert the crisis ahead unless you can restore the confidence of the markets and there is not much time. ~~(C)~~

We will work with Japan to ensure that the IMF gives you the full support you need immediately over the next few days to develop an appropriate program. Secretary Rubin will be in touch with your Deputy Prime Minister shortly after we finish this call to outline this course of action. ~~(C)~~

I want to be helpful. It is essential we do something that will work. We don't want to see South Korea overwhelmed by the force of events. We have to move within the next several days. I want to do something that will work. ~~(C)~~

PRESIDNT KIM: President Clinton, thank you very much for your concerns and for your opinions. We also think it is a very serious situation. ~~(C)~~

THE PRESIDENT: Could you please speak up. I can barely hear you. (U)

PRESIDENT KIM: We would like to solve the problem in the next few days. As you pointed out, it is a very serious and urgent situation. Of course we are discussing with the IMF the possibility of providing us financial support, but it seems to us that it will be until 20 December before the IMF can help us. We are in serious difficulties. It is important that somehow we get some type of emergency bridge loan from other countries like Japan by the middle of next week. That is our position at the moment. ~~(C)~~

As I mentioned to you in Vancouver, we are concerned about North Korea because they are making lots of noise about the serious difficulties we are going through now in the South and I understand your view. So President Clinton, it is my opinion we should get some emergency help from the United States and Japan before we finalize the amount of assistance we can get from the IMF. ~~(C)~~

THE PRESIDENT: Mr. President. First of all, the IMF will give you the loan before 20 December if you will work out the conditions. When we did this for Mexico, it was part of their simultaneous commitment to embark on a course of reform which immediately restored confidence of the markets and investors in their currency and their economy. If Mexico had not made this commitment at the same time, then the loan guarantee for them would have been overwhelmed by the money leaving the country. I don't think your reserves will last three weeks, and nobody I know believes you have the time. I've spoken to a lot of people about this today. ~~(C)~~

PRESIDENT KIM: Of course Mr. President, it is our intention to finalize with the IMF as soon as possible, but at the moment it is our projection that it will happen somewhere around December 20. We will do our best to finish discussions with the IMF as soon as possible. It is our intention to ask for $10 billion until we can work out a formal agreement with the IMF as you helped Mexico last time. ~~(C)~~

THE PRESIDENT: Mr. President. Let me ask you this on the timing. Will you make sure your Deputy Prime Minister or whomever is handling this will talk to Secretary Rubin and will have a candid conversation about this because your markets will take a beating no matter what we do? So before we hang up, let's at least agree to have them talk because we think this is very important. Can we at least agree to this? ~~(C)~~

PRESIDENT KIM: Then I understand you are saying that through a discussion between Rubin and Deputy Prime Minister Kang we can sort of expedite our negotiations with the IMF so we can get the help as soon as possible? ~~(C)~~

THE PRESIDENT: We can put together the necessary backing if it is clearly a part of an IMF package. That will stop the run. We don't want these two to be disconnected, because if they are, they will run through that money in just a few days. We can talk again in the next day or so. ~~(C)~~

PRESIDENT KIM: Well President Clinton, I fully understand your point and will have the Deputy Prime Minister contact Secretary Rubin as soon as possible. Of course we want to finish discussions with the IMF as quickly as possible, but we think it may take until December 20th which we are concerned will be too far away. ~~(C)~~

THE PRESIDENT: Okay. We'll go to work on this and we may need to talk again in the next day or so.

PRESIDENT KIM: Thank you very much for your concern, and I look forward to talking to you again Mr. President. Thank you very much. ~~(C)~~

THE PRESIDENT: Goodbye. (U)

-- End of Conversation --