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THE WHITE HOUSE

WASHINGTON

MEMORANDUM OF TELEPHONE CONVERSATION

SUBJECT: Telecon with Kim Young-sam, President of the Republic of Korea

PARTICIPANTS: Kim Young-sam, President of the Republic of Korea

Interpreter: Chang Lie
Notetaker: Lyle Harrison, Jim Smith,
Doug Mueller, Mariana Papadimitriou,
Jeff Rathke

DATE, TIME: December 3, 1997, 8:35 - 8:50 a.m. EST
AND PLACE: The Oval Office

The President: Hello? (U)

President Kim: Hello President Clinton. Glad to hear your voice. (U)

The President: Let me congratulate you on reaching agreement with the IMF. I know it is a difficult thing. I appreciate the political courage you have shown in doing this. The United States has a critical national security and economic interest in a stable and prosperous Korea. This IMF agreement will be vital to putting Korea back on the path of growth. We are committed to your success. Rapid follow up on today's agreement will be vital to its success. It involves tough political choices and will inflict some economic pain in the short term. However, it will help to get back to long-term stability that you have worked so hard for and that the Korean people deserve. (C)

The IMF finance package for Korea, backed up by additional funds from the World Bank and Asian Development Bank, is substantial, though I would urge you to supplement these resources with finance raised on the private markets. In addition, the United States would be willing to make \$5 billion available as part of a package with our allies, Japan and Europe, to mobilize a second line of defense for Korea in the form of backup financing in line with the Manila Framework. (C)

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I recognize you are in the middle of an election period and it's a difficult time to sell this to the Korean public. You mentioned to me in Vancouver that you spoke with each of the presidential candidates to impress upon them the value of the U.S.-South Korean alliance. I hope that you will speak to each of them again with regard to the IMF package and reform efforts. It's important that the candidates support this as the key to putting South Korea back on the road to stability and growth. (C)

President Kim: President Clinton, thank you very much, and I appreciate your continued support in arranging the IMF agreement. As I have already mentioned to you, we need your continued and high-powered leadership role in resolving our financial problems. We will comply with the agreement. Korea needs foreign currency immediately. I would like to ask you to see that some of the IMF funds be transferred to Korea within this week. You mentioned the presidential candidates. They were rather reluctant to agree to a written statement due to the adverse public opinion against the situation. It was a difficult task for me to talk to them, but finally, I was able to have the presidential candidates understand the IMF agreement. All those candidates are ready to accept it because it's clear there's no other way to follow than the agreement with the IMF. However, we are faced with the problem that the Korean news media is describing today's negotiations with the IMF as a very shameful one. They think it is very humiliating, almost comparable to Japanese colonial rule. However, I think that there is only one choice. We have to cooperate with the IMF. That is the only way out of this trouble. (C)

I do remember very well the conversation we had in a previous telephone conference. You promised that once we reach agreement with IMF, the United States will be fully behind us, supporting Korea's position. As you may know well, our foreign currency holdings are in a very serious situation. It is indeed difficult for us. Perhaps if we do not find some support within this week, next week it would be absolutely difficult for us to somehow calm down the situation. (C)

In addition to the IMF rescue package, we strongly hope the United States could take active leadership in trying to support Korea. And I think Japan will follow suit. (C)

The President: Please speak up, I can barely hear you. (U)

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President Kim: I very much wish the United States can take an active leadership role and encourage Japan and other EU countries and the World Bank and the Asian Development Bank. The leadership role of the U.S. is critical. I can assure you that I'll take this opportunity to improve our economic situation substantially. With the help of the IMF, I will do my very best as President to make it successful. ~~(C)~~

The President: Thank you. I will work with you and we'll stay in touch and work together on this. (U)

President Kim: Well, I believe that the United States will make its best efforts to support South Korea. ~~(C)~~

The President: Thanks, goodbye. (U)

President Kim: Goodbye. (U)

-- End of Conversation --

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