

[REDACTED] OADR

TEXT OF TELEGRAM 80SEOUL 007261

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ADP519

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ACTION EA-12

INFO OCT-01 ADS-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSD-00 ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03
PA-01 SP-02 SS-15 XMB-02 EB-08 AID-07 TRSE-00
DDE-17 DOEE-00 OMB-01 COME-00 FRB-03 OPIC-07
LAB-04 SIL-01 STR-09 /109 W

0 060610Z JUN 80 ZDK
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC IMMEDIATE 6867
INFO AMEMBASSY TOKYO

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E.O. 12065: GDS 6/6/86 (GLEYSTEN, W.H.) DR-M
TAGS: ECON, PEPR, KS
SUBJ: CALL ON PRIME MINISTER BY CHAIRMAN MOORE AND
AMBASSADOR

1. [REDACTED]

2. SUMMARY: IN WIDE-RANGING DISCUSSION ON JUNE 3, EXIM
CHAIRMAN AND AMBASSADOR WENT OVER NUMBER OF ISSUES WITH
PRIME MINISTER. PM DESCRIBED ECONOMIC SITUATION AS BAD,
THOUGH ECONOMY HAD REALLY SHOWN SOME IMPROVEMENT FROM
JANUARY THROUGH APRIL (WITH ANOTHER SETBACK IN MAY).
HE REFERRED TO MEASURES OF ECONOMIC STIMULUS TO BE
ANNOUNCED IN TWO DAYS AND SAID HE WAS NOT CONCERNED
ABOUT INFLATIONARY IMPACT. PM AND CHAIRMAN MOORE
DISCUSSED SOME OF PENDING LOAN APPLICATIONS AND NUCLEAR
POWER PLANT SALES. MOORE REFERRED TO US EFFORTS INTER-
NATIONALLY TO LOWER SUBSIDY ELEMENT IN EXPORT CREDIT
FINANCING, EXPLAINED EXIM BANK BUDGETARY SITUATION AND
SAID EXIM BANK CREDIT COSTS WOULD BE SOMEWHAT HIGHER
IN THE IMMEDIATE FUTURE THAN THEY WERE NOW.

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PM ASKED AMBASSADOR WHY USG WAS HOLDING "SO MANY MEETINGS"
ON KOREA AND IF TROOP WITHDRAWAL WAS BEING DISCUSSED.
AMBASSADOR REFERRED TO PRESIDENT CARTER'S MAY 31 STATEMENT
THAT USG WOULD STAND FIRM ON KOREAN SECURITY QUESTIONS
BUT VIEWED RECENT EVENTS HERE AS A SETBACK TO DEMOCRATIC
DEVELOPMENT. PM THOUGHT

AMBASSADOR EXPLAINED IN SOME DETAIL. AT PM'S QUERY,

EXCISE

DEPARTMENT OF STATE 90036068 IS/FPC/CDR TRB Date: 9/13/93

<input type="checkbox"/> RELEASE	<input type="checkbox"/> DECLASSIFY	MR Cases Only:
<input checked="" type="checkbox"/> EXCISE	<input checked="" type="checkbox"/> DECLASSIFY	EO Citations _____
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FOIA Exemptions <u>B1</u>		TW Amisworn TS authority to:
PA Exemptions _____		<input checked="" type="checkbox"/> CLASSIFY as () S or <input checked="" type="checkbox"/> C OADR
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THE AMBASSADOR CLARIFIED EMBASSY'S ORAL STATEMENT TO NEWSPAPERS CORRECTING INACCURATE INFORMATION PROVIDED TO MEDIA ON EXTENT TO WHICH USG HAD BEEN GIVEN ADVANCE NOTICE OF, OR APPROVED OF, NUMBER OF KOREAN ACTIONS, AND ALSO CORRECTING INACCURATE REPORTING OF AMBASSADOR'S REMARKS TO NATIONAL ASSEMBLYMEN.

PM SAID HE THOUGHT THAT [REDACTED]

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AMBASSADOR SPOKE OF THE NEED FOR PM AND SENIOR ECONOMIC OFFICIALS TO EDUCATE NEWCOMERS ON CONSEQUENCES OF THEIR ACTIONS TO MINIMIZE RISK THAT THESE NEWCOMERS MIGHT OVERREACT TO PROBLEMS THEY DID NOT FULLY UNDERSTAND. THE AMBASSADOR SAID KOREA NEEDED BOTH STABILITY AND PROGRESS. THESE WERE NOT ALTERNATIVES. END SUMMARY.

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3. EXIM BANK CHAIRMAN MOORE AND MR. HICKS ACCOMPANIED BY AMBASSADOR AND ECON COUNSELOR CALLED ON P.M. PARK CHONG HOON (M-R: PAK CHUNG-HUN) JUNE 3. DISCUSSION WAS WIDE-RANGING AND INCLUDED THE FOLLOWING HIGHLIGHTS.

4. ECONOMIC SITUATION. THE PM LED OFF BY NOTING THAT KOREAN ECONOMY IS IN BAD SHAPE. PRICES, GROWTH, BALANCE OF PAYMENTS ARE ALL BAD. HOWEVER, EPB HAS NOTED THAT THE SITUATION IS REALLY NOT QUITE SO BAD AS SOME STATISTICS MIGHT OTHERWISE INDICATE. ROKG NORMALLY REPORTS STATISTICS FOR ONE PERIOD AS A PERCENTAGE OF THE SAME PERIOD IN THE PRECEDING YEAR. ON THAT BASIS, THE FIRST QUARTER OF 1980 SHOWED NEGATIVE REAL GROWTH OF 1.7 PERCENT. HOWEVER, COMPARED WITH THE FOURTH QUARTER OF 1979, THE FIRST QUARTER OF '80 SHOWED A STRONG REBOUND, UP 4 OR 5 PERCENT. PRIME MINISTER ADDED THAT THIS IMPROVING TREND CONTINUED THROUGH APRIL BUT THAT MAY, WHICH INCLUDED KWANGJU AND STRIKES, WAS DOWN AGAIN. FURTHERMORE, EXPORTS FOR THE YEAR WERE UP THROUGH APRIL, BUT THEN HAD A BAD MONTH IN MAY. THE PM ADDED THAT CONSTRUCTION THIS YEAR HAD BEEN GOOD. PERMITS WERE UP 30 PERCENT OVER 1979. THE EXCEPTION IN THIS AREA WAS PLANT CONSTRUCTION, WHICH WAS DOWN. HE ALSO NOTED THAT THE GOVERNMENT HAD DECIDED TO INCREASE LOWCOST HOUSING UNITS THIS YEAR. HE HOPED THIS WOULD INCREASE JOBS.

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5. THE PM SAID THAT A PACKAGE OF NEW ECONOMIC MEASURES WAS TO BE ANNOUNCED IN THE NEXT DAY OR SO. (SEE SEOUL 7227). THE AMBASSADOR SAID THAT HE HAD ASSUMED, WITH PARK HAVING TAKEN OFFICE AS PM, THAT SOME REFLATIONARY MEASURES WOULD BE TAKEN. HE ASKED IF THE PM WAS CONFIDENT THAT HE COULD HANDLE THE INFLATIONARY IMPACT. PARK SAID HE WAS, THAT TWO-THIRDS OF KOREA'S INFLATION WAS

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ADP520

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ACTION EA-12

INFO OCT-01 ADS-00 CIAE-00 DODE-00 NSAE-00 NSCE-00
SSO-00 ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03
PA-01 SP-02 SS-15 XMB-02 EB-08 AID-07 TRSE-00
DOE-17 DDEE-00 OMB-01 COME-00 FRB-03 OPIC-07
LAB-04 SIL-01 STR-09 /109 W

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IMPORTED, AND THAT IF OPEC DID NOT RAISE OIL PRICES TOO
MUCH, THE SECOND HALF OF 1980 SHOULD BE MANAGEABLE.
MOORE NOTED THAT SAUDI ARABIA'S YAMANI HAD PREDICTED
AN OIL GLUT IN THE IMMEDIATE FUTURE.

6. ON THE U.S. ATTITUDE TOWARD THE RECENT POLITICAL
DEVELOPMENT, THE PRIME MINISTER NOTED REPORTS THAT
HIGH-LEVEL USG MEETINGS ABOUT KOREA WERE BEING HELD IN WASH-
INGTON ON A DAILY BASIS. THE AMBASSADOR SAID THAT SOME
MEETINGS HAD BEEN HELD, ALTHOUGH NOT DAILY AT HIGH LEVELS.
PARK ASKED IF THE TOPICS FOR DISCUSSION INCLUDED TROOP
WITHDRAWAL. THE AMBASSADOR SAID THAT A COMPREHENSIVE
REVIEW WAS IN PROCESS. ALTHOUGH ANY SUCH REVIEW WOULD
COVER SECURITY CONSIDERATIONS, TROOP WITHDRAWAL WAS NOT
BEING SERIOUSLY CONTEMPLATED. PRESIDENT CARTER HAD
MADE THIS QUITE CLEAR DURING HIS APPEARANCE ON CABLE
TELEVISION MAY 31. WHILE THE PRESIDENT HAD INDICATED
THAT THE USG COULD NOT RUN RISKS WITH KOREAN SECURITY,
HE HAD ALSO SAID FRANKLY THAT RECENT EVENTS HERE
REPRESENTED A SETBACK TO DEMOCRATIC DEVELOPMENT. THE
PM THOUGHT

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THE AMBASSADOR SAID THE REFERENCE WAS
TO SUCH MATTERS AS THE ARREST OF POLITICAL LEADERS, THE
CLOSING OF THE NATIONAL ASSEMBLY, AND THE GENERAL
LIMITATION ON THE POLITICAL PROCESS WITH ALL THE
UNCERTAINTIES THESE ACTIONS GENERATED. WHILE THE
ULTIMATE EFFECTS MIGHT NOT TURN OUT TO BE SO BAD
ULTIMATELY THEY CERTAINLY LOOKED LIKE A SETBACK AT THIS
POINT. THE PM COMMENTED THAT THE DAY BEFORE, THE

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GOVERNMENT HAD STARTED TO RESTUDY THE QUESTION OF CONSTITUTIONAL DEVELOPMENT. THE NATIONAL ASSEMBLY HAD MADE PROGRESS ON A DRAFT CONSTITUTION AND THE GOVERNMENT NEEDED TO CATCH UP.

7. THE PRIME MINISTER COMMENTED THAT THE AMBASSADOR HAD SENT A MAN TO ALL NEWSPAPERS TO READ "AN ACCUSATION." THE AMBASSADOR SAID THE STATEMENT WAS NOT AN ACCUSATION BUT A CLARIFICATION OF FACT. TWO POINTS WERE INVOLVED. THE FIRST WAS THE DEGREE TO WHICH HE HAD BEEN NOTIFIED IN ADVANCE OF CERTAIN EVENTS SUCH AS THOSE ON MAY 17, DECEMBER 12, AND THE APPOINTMENT OF GENERAL CHUN DOO HWAN AS ACTING KCIA DIRECTOR. THE NEWSPAPERS HAD BEEN TOLD THAT THE AMBASSADOR HAD BEEN GIVEN ADVANCE NOTICE AND HAD GIVEN HIS APPROVAL ON THESE MOVES. THIS WAS INCORRECT. THE SECOND POINT RELATED TO NEWSPAPER REPORTS OF STATEMENTS THE AMBASSADOR HAD MADE TO A GROUP OF PARLIMENTARIANS. SOME PAPERS, LIKE THE KOREA HERALD, WITH WHICH THE PM HIMSELF HAD BEEN CONNECTED, HAD CARRIED ACCURATE REPORTS. OTHERS, LIKE DONG-A ILBO, HAD RUN INCORRECT VERSIONS WHICH WE CORRECTED. OUR CORRECTION THEN BECAME ITSELF A MATTER OF PUBLICITY, WHICH HAD NOT BEEN OUR INTENTION.

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8. THE PM ASKED IF THE AMBASSADOR HAD BEEN TOLD IN ADVANCE ABOUT THE FORMATION OF THE SPECIAL COMMITTEE FOR NATIONAL SECURITY MEASURES. THE AMBASSADOR SAID YES, SEVERAL DAYS BEFORE, AND THE PM ASKED IF THE U.S. HAD COMMITTED. THE AMBASSADOR REFERRED TO A STATEMENT ON THE PRECEDING DAY BY THE STATE DEPARTMENT SPOKESMAN TO THE EFFECT THAT THE U.S. WAS STUDYING THE DEVELOPMENT AND WOULD LOOK TO DEEDS RATHER THAN WORDS. MR. MOORE ASKED WHAT EFFECT THE SPECIAL COMMITTEE WOULD HAVE ON ECONOMIC MATTERS. THE PM SAID,

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9. THE AMBASSADOR NOTED THAT THE SPECIAL COMMITTEE MUST HAVE SOME FUNCTION AND ASKED WHAT AREAS IT WOULD CONTROL. THE PM SAID,

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[THE AMBASSADOR SAID THAT WHILE WE HAD ALREADY MADE KNOWN
OUR VIEWS ON THE ARRESTS OF POLITICAL LEADERS, HE
ALSO WISHED TO OBSERVE THAT IF THOSE ARRESTS WERE
EXTENDED TO BUSINESS LEADERS, THERE COULD BE SERIOUS
FOREIGN AS WELL AS DOMESTIC IMPLICATIONS.]

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SSO-00 ICAE-00 INRE-00 PM-05 H-01 INR-10 L-03
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DOE-17 DOEE-00 OMB-01 COME-00 FRB-03 OPIC-07
LAB-04 SIL-01 STR-09 /109 W

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10. THE PM ASKED CHAIRMAN MOORE ABOUT PENDING LOAN APPLICATIONS AND MOORE DESCRIBED SOME OF THE PROJECTS FROM THE EPB PRIORITY LIST. HE NOTED THAT IN THE PAST THE BIGGEST ITEMS HAD BEEN NUCLEAR POWER PLANTS.

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BOTH CHAIRMAN MOOR AND AMBASSADOR GLEYSTEN SAID IN RESPONSE THAT FRAMATOME HAD IN THE PAST BEEN NON-COMPETITIVE ON PRICE TERMS AND THAT KOREA HAD RECEIVED THE BEST PRODUCT FOR THE BEST PRICE FROM THE U.S.

B1 A3

11. CHAIRMAN MOORE DESCRIBED U.S. EFFORTS INTERNATIONALLY TO REDUCE THE SUBSIDY ELEMENT IN INTERNATIONAL EXPORT CREDIT FINANCING. HE ALSO DESCRIBED EXIM BANK'S NEED TO KEEP ITS FINANCING IN LINE WITH ITS COSTS AND THE PROBABILITY THAT IN THE PERIOD AHEAD THE COST OF EXIM FINANCING WOULD BE ON THE ORDER OF 9 OR 9 1/4 PERCENT.

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12. AT THE CONCLUSION OF THE DISCUSSION, THE AMBASSADOR SAID THAT HE HAD TOLD THE PM'S SENIOR COLLEAGUES AT LUNCH THAT THE PRESENT SITUATION HAD TO BE DEALT WITH REALISTICALLY AND THAT THERE WAS A SPECIAL RESPONSIBILITY ON THE PART OF SENIOR ECONOMIC OFFICIALS TO EDUCATE NEWCOMERS TO THE SCENE ON THE CONSEQUENCES OF THEIR ACTION. THIS WAS ESPECIALLY IMPORTANT SINCE NEWCOMERS MIGHT TEND TO OVERREACT TO PROBLEMS THEY DID NOT FULLY

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UNDERSTAND. THE PM OBSERVED THAT HE HAD TOLD THE PRESS ON THE PRECEDING DAY THAT KOREA MUST HAVE STABILITY AND ORDER AS A BASIS FOR ECONOMIC GROWTH. THE AMBASSADOR SAID HE OFTEN HEARD THE REQUIREMENTS FOR STABILITY AND PROGRESS POSED AS EITHER/OR ALTERNATIVES, BUT KOREA REALLY NEEDED BOTH. GLEYSTEN

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