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WITHDRAWAL SHEET

Ronald Reagan Library

Collection Name EXECUTIVE SECRETARIAT, NSC: COUNTRY FILE

Withdrawer

LOJ 2/28/2007

File Folder KOREA, SOUTH (05-01/1982-09/09/1982)

FOIA

F06-048

Box Number 9

KYUNG

9

ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
34800	CABLE	241042Z MAY 82 <i>P 1/22/2010 F06-048</i>	6	5/24/1982	B1
34801	CABLE	210831Z JUN 82 <i>R 3/27/2008 NLRR06-048</i>	1	6/21/1982	B1
34802	MEMCON	7/2/82 BREAKFAST MEETING WITH KOREAN FOREIGN MINISTER LEE BUM SUK <i>R 7/6/2012 F2006-048/1</i>	2	7/2/1982	B1
34803	CABLE	220851Z JUL 82 <i>PAR 3/27/2008 NLRR06-048</i> DOCUMENT PENDING REVIEW IN ACCORDANCE WITH E.O. 13233	1	7/22/1982	B1
34804	CABLE	232337Z JUL 82 <i>R 3/27/2008 NLRR06-048</i> DOCUMENT PENDING REVIEW IN ACCORDANCE WITH E.O. 13233	1	7/23/1982	B1
34805	CABLE	270902Z JUL 82 <i>R 3/27/2008 NLRR06-048</i>	1	7/27/1982	B1
34806	CABLE	280843Z JUL 82 <i>R 3/27/2008 NLRR06-048</i>	2	7/28/1982	B1
34807	CABLE	300851Z JUL 82 <i>R 3/27/2008 NLRR06-048</i>	7	7/30/1982	B1
34808	MEMO	WILLIAM P CLARK TO THE PRESIDENT <i>R 3/27/2008 NLRR06-048</i>	1	8/28/1982	B1

Freedom of Information Act - [5 U.S.C. 552(b)]

- B-1 National security classified information [(b)(1) of the FOIA]
- B-2 Release would disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA]
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- B-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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ID	Doc Type	Document Description	No of Pages	Doc Date	Restrictions
34809	CABLE	080906Z SEP 82	3	9/8/1982	B1
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34800

WHITE HOUSE SITUATION ROOM

PAGE 01 OF 02 SEOUL 5252
SIT955 DATE 05/24/82

DTG: 241042Z MAY 82 PSN: 041451
TOR: 144/1137Z

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MESSAGE:

IMMEDIATE
DE RUEHUL #5252/01 1441047
O 241042Z MAY 82
FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 0231

INFO AMEMBASSY TOKYO 0244
SA CINCUNC KS
CHJUSMAG SEOUL KS
COMUSKOREA SEOUL KS//CJ-CC/BJ-PL-H/SJS//
CINCPAC HONOLULU HI
BT

S E C R E T SECTION 01 OF 03 SEOUL 05252
E.O. 12065: XDS-3 05/24/02 (CLEVELAND, PAUL M.) OR-M
TAGS: PINT, PINR, EFIN, ECON, KS
SUBJECT: POLITICAL IMPLICATIONS OF THE CURB MARKET SCANDAL
REF: (A) SEOUL 4988 (B) SEOUL 5129 (C) SEOUL 5033
- (D) SEOUL 5180

1. (S - ENTIRE TEXT).

2. SUMMARY: PRESIDENT CHUN HAS TAKEN A NUMBER OF POLITICAL STEPS THAT SHOULD ENABLE HIM TO WEATHER THE IMMEDIATE STORM OF THE CURB MARKET SCANDAL. BUT THE SCANDAL WILL HAVE LONGER TERM IMPLICATIONS IN TERMS OF GOVERNMENT EFFECTIVENESS AND CREDIBILITY. POTENTIAL DIFFICULTIES OR DANGERS COULD INCLUDE LABOR UNREST, STUDENT UNREST AND A GENERAL LOSS OF GOVERNMENT'S MORAL AUTHORITY WITH THE POPULACE. ANY OF THESE COULD PRECIPITATE A CYCLE OF CONFRONTATION, OVER-REACTION AND REPRESENTATION THAT COULD BE DIFFICULT TO STOP. CHUN RETAINS ARMY BACKING, PERHAPS BECAUSE THE MILITARY SEES NO ATTRACTIVE

MESSAGE (CONTINUED):

ALTERNATIVE. BUT THE POSSIBILITY EXISTS OF SERIOUS PUBLIC DISORDER, EVEN LEADING IN THE WORST CASE TO A SITUATION THAT COULD THREATEN THE REGIME. END SUMMARY.

3. THE INITIAL PHASE OF THE CURB MARKET SCANDAL, WHICH ONE TV COMMENTATOR ACCURATELY DESCRIBED AS "THE WORST SCANDAL IN KOREA SINCE THE DAYS OF SYNGMAN RHEE" (M-R: YI SUNG-MAN) IS DRAWING TO A CLOSE. THE GOVERNMENT HAS TAKEN A SERIES OF TACTICAL STEPS--A CABINET RESHUFFLE, REPLACEMENT OF THE GOVERNMENT PARTY LEADERSHIP, APPARENT RESIGNATION OF ALL RELATIVES OF THE PRESIDENT AND HIS WIFE FROM OFFICIAL POSITIONS, AND RELEASE OF THE PROSECUTOR'S REPORT--WHICH IT CLEARLY HOPES WILL LAY THE MATTER TO REST. (THE STEPS TAKEN ARE DESCRIBED IN REF D.) WE BELIEVE THEY WILL BE SUCCESSFUL IN THE SHORT RUN. THE PURPOSE OF THIS MESSAGE IS TO ASSESS THE LONGER RANGE POLITICAL IMPLICA-

DECLASSIFIED IN PART

NLRR Fdb-D48#34800

BY RW NARA DATE 1-25-10

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TIONS OF THE SCANDAL, PARTICULARLY ITS LIKELY EFFECT ON THE STABILITY AND EFFECTIVENESS OF THE CHUN (M-R: CHON TU-HWAN) GOVERNMENT.

4. AS WE HAVE POINTED OUT IN THE REFERENCE TELEGRAMS, THE CURB MARKET SCANDAL WHICH HAS DOMINATED THE MEDIA, THE NATIONAL ASSEMBLY AND EVERY COCKTAIL PARTY CONVERSATION IN SEOUL FOR THE PAST TEN DAYS, HAS HAD OBVIOUS POLITICAL IMPLICATIONS FROM THE BEGINNING. THE IMPLICATIONS OF THE SCANDAL INCLUDE: (1) QUESTIONS ABOUT THE GOVERNMENT'S ABILITY TO MANAGE EFFECTIVELY THE COUNTRY'S AFFAIRS, SPECIFICALLY ITS OFFICIAL AND UNOFFICIAL MONEY MARKETS; (2) PUBLIC DISGUST WITH WHAT MANY BELIEVE TO BE AN EXCESSIVELY CRUDE AND GREEDY WAY OF FINANCING THE GOVERNMENT PARTY; AND (3) SERIOUS DAMAGE TO THE CREDIBILITY OF A GOVERNMENT WHICH EMPHASIZES ANTI-CORRUPTION AND PREACHES FRUGALITY, WHILE CONDONING OR ALLOWING APPARENT NEPOTISM AND INFLUENCE PEDDLING ON A GRAND SCALE.

5. THE GOVERNMENT'S RESPONSE TO THE FIRST CONCERN--INEPT FINANCIAL MANAGEMENT--IS NECESSARILY LARGELY TECHNICAL. THE RISKS AND OUTLOOK FOR MANAGING THE PROBLEM OF PROVIDING AN ADEQUATE SUBSTITUTE FOR THE TEMPORARILY MORIBUND CURB MARKET ARE DISCUSSED IN REF B. THE SECOND AND THIRD CONCERNS--CRUDE POLITICAL FINANCING AND LOSS OF CREDIBILITY --ARE STRICTLY POLITICAL IN NATURE, AND THEY ARE THE CONCERNS WHICH THE SERIES OF STEPS LISTED IN PARAGRAPH 2 WERE DESIGNED TO ADDRESS.

MESSAGE (CONTINUED):

6. RUMORS BEGAN EARLY IN THE SCANDAL IMPLYING THAT THE SCAM WAS USED IN PART TO FINANCE GOVERNMENT PARTY OPERATIONS THROUGH THE LEADERSHIP OF THE DEMOCRATIC JUSTICE PARTY, SPECIFICALLY SECRETARY-GENERAL KWUN JONG DAL (M-R: KWON CHONG-TAL). BOTH INTELLIGENCE REPORTS AND COMMENTS BY POLITICAL OBSERVERS IN A POSITION TO KNOW TEND TO CONFIRM KWUN'S CULPABILITY. THE GOVERNMENT HAS APPARENTLY CONCLUDED, HOWEVER, THAT TO IMPLICATE KWUN OVERTLY WOULD DO IT MORE HARM THAN GOOD. ON THE ONE HAND IT WOULD DEMONSTRATE THAT EVEN HIGH LEVEL, TRUSTED LIEUTENANTS OF THE PRESIDENT ARE NOT EXEMPT FROM DISCIPLINARY ACTION. BUT IT WOULD AT THE SAME TIME CLEARLY ACKNOWLEDGE THAT THE PARTY WAS RECEIVING FUNDS THROUGH THE CURB MARKET SCAM. THUS A COMPROMISE SOLUTION WAS REACHED: THE PROSECUTOR'S REPORT SPECIFICALLY EXONERATES KWUN, BUT HE AND THREE OTHER PARTY LEADERS HAVE RESIGNED THEIR POSTS. WE HAVE SEEN NO REASON TO SUSPECT THE OTHER THREE OF IMPROPER BEHAVIOR, AND IT SEEMS LIKELY THAT THEIR RESIGNATIONS ARE INTENDED AS PROTECTIVE COLORATION FOR THE REMOVAL OF KWUN.

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SIT954 DATE 05/24/82

DTG: 241042Z MAY 82 PSN: 041461
TOR: 144/1147Z

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DE RUEHUL #5252/02 1441056
O 241042Z MAY 82
FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 0232

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SA CINCUNC KS
CHJUSMAG SEOUL KS
COMUSKOREA SEOUL KS//CJ-CC/BJ-PL-H/SJS//
CINCPAC HONOLULU HI
BT

S E C R E T SECTION 02 OF 03 SEOUL 05252

7. THAT LEAVES THE THIRD AND OVERRIDINGLY IMPORTANT CONCERN--GOVERNMENT CREDIBILITY. HERE TOO THE GOVERNMENT'S TACTICAL RESPONSE HAS BEEN MAINLY IN THE FORM OF PERSONNEL CHANGES. THE LIST OF THOSE PUNISHED INCLUDES THE PRESIDENTS OF THE TWO MAJOR BANKS INVOLVED IN THE SCANDAL, SOME MONEY LENDERS AND SOME MIDDLE LEVEL BUREAUCRATS. THE MAJOR CABINET CHANGES ANNOUNCED ON MAY 21 SEEM ONLY TANGENTIALLY RELATED TO THE SCANDAL. NONE OF THE MINISTERS WHO MIGHT LOGICALLY BE HELD RESPONSIBLE FOR A FINANCIAL MARKET SCANDAL--THE FINANCE MINISTER, THE DEPUTY PRIME MINISTER AND THE PRIME MINISTER--WAS AFFECTED. THIS FACT HAS ALREADY PROMPTED SPECULATION THAT THE CABINET SHIFT, WHICH INCLUDES SEVERAL SURPRISING CHANGES, WAS DESIGNED AT LEAST IN PART TO DIVERT PUBLIC ATTENTION FROM THE SCANDAL. FINALLY, THE PRESIDENT HAS DEALT STRONGLY WITH THE ISSUE OF NEPOTISM, OR AT LEAST WITH THE LIKELIHOOD OF FUTURE MANIFESTATIONS OF IT. HIS WIFE'S UNCLE HAS BEEN ARRESTED, HIS FATHER-IN-LAW HAS RESIGNED HIS POSITION AS CHAIRMAN OF

MESSAGE (CONTINUED):

THE ASSOCIATION OF AGED PERSONS, AND HIS BROTHER HAS OFFERED HIS RESIGNATION AS THE HEAD OF THE NEW VILLAGE MOVEMENT (WE HAVE NOT YET CONFIRMED THAT THIS RESIGNATION WAS ACCEPTED). THERE ARE NO LONGER RELATIVES IN HIGH PLACES.

8. THE GOVERNMENT SEEMS TO BE BETTING THAT THE STEPS IT HAS TAKEN WILL LIMIT DAMAGE TO THE GOVERNMENT WHILE AT THE SAME TIME PROVIDING ADEQUATE SATISFACTION TO THOSE DEMANDING DRASTIC REMEDIAL ACTION. IN OUR VIEW, THE STEPS TAKEN ARE BOLD AND IMAGINATIVE, AND WILL FORESTALL ANY SHORT TERM THREAT TO THE GOVERNMENT. THE STOPGAP MEASURES TAKEN SO FAR HAVE BOUGHT TIME IN WHICH A MORE PERMANENT SOLUTION TO THE FINANCIAL PROBLEMS OF THE CURB MARKET CAN BE SOUGHT; THE WILLINGNESS TO REMOVE IMPORTANT AND TRUSTED PARTY LIEUTENANTS, EVEN WITHOUT ACKNOWLEDGING THEIR GUILT, WILL

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PROBABLY SERVE TO BLUNT ANGER OVER PARTY FINANCING; AND CLEARING OUT OF THE RELATIVES AND THE WHOLESALE CABINET SHIFT WILL GIVE THE IMPRESSION, AT LEAST FOR THE TIME BEING, OF A NEW BEGINNING.

9. BUT THE GOVERNMENT HAS BEEN SERIOUSLY DAMAGED. IT WILL FACE DIFFICULTIES AND PERHAPS DANGERS WITH THE POTENTIAL, IN COMBINATION IF NOT SINGLY, FOR DESTABILIZING OR EVEN TOPPLING IT. ONE JOURNALIST IS REPORTED [REDACTED]

FOIA(b)(1)

[REDACTED] SAYING, "THERE IS NO HOPE THAT IT (THE ROKG) CAN RECOVER AND SOMEHOW GAIN A DECENT REPUTATION THE DEVASTATING CONSEQUENCE OF THE CURB MARKET SCANDAL IS NOT THAT IT PROVOKES A REVOLUTION BUT THAT IT DESTROYS THE CONFIDENCE OF THE PEOPLE AND KILLS HOPE FOR THE FUTURE." WE AGREE ON THE BASIS OF DEVELOPMENTS TO DATE THAT THE LIKELIHOOD OF AN IMMEDIATE REVOLT IS RELATIVELY LOW. HOWEVER, EVIDENCE OF FURTHER SCANDAL OR ANOTHER UNTOWARD EVENT OR FAILURE MIGHT HAVE A LESS HAPPY ENDING. SOME PROBLEMS AND AREAS OF POTENTIAL TROUBLE ARE:

- A. LABOR UNREST - FAILURE TO COAX THE CURB MARKET BACK INTO OPERATION, OR TO ADEQUATELY SUBSTITUTE FOR IT, COULD BRING ABOUT BANKRUPTCIES, WITH A CONSEQUENT INCREASE IN UNEMPLOYMENT. A DRAMATIC INCREASE IN THE UNEMPLOYED COULD LEAD TO LABOR UNREST. LABOR ACTIONS AT TROUBLED ILSHIN STEEL ON MAY 15 AND 17 WERE THE LARGEST IN THE PAST TWO YEARS, AND THEIR IMPLICATIONS ARE SURELY NOT LOST ON THE GOVERNMENT. WORKERS WILL EXPECT THE GOVERNMENT TO ACT TO PREVENT BANKRUPTCIES. THIS CONCERN MAY ACCOUNT FOR THE

MESSAGE (CONTINUED):

UNUSUAL STEP OF NAMING A FORMER STEVEDORE WITH A GRADE SCHOOL EDUCATION TO THE POST OF MINISTER OF LABOR.

- B. STUDENT UNREST - HERETOFORE THE CHUN GOVERNMENT HAS BEEN ABLE TO CONTAIN STUDENT DEMONSTRATIONS. THE GOVERNMENT SEEMS WELL AWARE THAT IN THE PAST STUDENTS HAVE OFTEN SERVED AS THE SPARK TO IGNITE DRY TINDER IN OTHER ELEMENTS OF THE SOCIETY. THE SUCCESS IN CONTAINING DEMONSTRATIONS HAS BEEN THE RESULT IN PART OF HEAVY ON-CAMPUS SECURITY MEASURES AND STUDENT FEELING THAT THE COST/BENEFITS OF DEMONSTRATING ARE LOW, AND IN PART ON AN ABSENCE OF CAMPUS ISSUES THAT WOULD EVOKE SYMPATHY OR SUPPORT FROM THE GENERAL POPULATION. WE DETECT NO BIG SHIFT IN THE STUDENTS' INCLINATION TO DEMONSTRATE AS YET. BUT THAT MOOD COULD CHANGE QUICKLY. UNIVERSITY OFFICIALS ARE CLEARLY WORRIED. SHOULD STUDENTS MANAGE TO MOUNT SIGNIFICANT DEMONSTRATIONS OVER THE CURB MARKET SCANDAL, OUR READINGS OF THE PUBLIC MOOD LEAVE NO DOUBT THAT THEY WOULD ENJOY WIDESPREAD PUBLIC SYMPATHY. WHETHER SUCH SYMPATHY WOULD BE TRANSLATED INTO OVERT SUPPORT IS IMPOSSIBLE TO PREDICT, BUT THE DANGER THAT THIS COULD HAPPEN SEEMS GREATER OVER THIS ISSUE THAN OVER ANY WHICH HAS

SEOUL 5252

DTG: 241042Z MAY 82 PSN: 041461

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WHITE HOUSE SITUATION ROOM

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MESSAGE:

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DE RUEHUL #5252/03 1441105
O 241042Z MAY 82
FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 0233

INFO AMEMBASSY TOKYO 0246
SA CINCUNC KS
CHJUSMAG SEOUL KS
COMUSKOREA SEOUL KS//CJ-CC/BJ-PL-H/SJS//
CINCPAC HONOLULU HI
BT

S E C R E T SECTION 03 OF 03 SEOUL 05252
ARISEN SINCE THE KWANGJU INCIDENT OF MAY 1980.
- C. THE CONSENT OF THE GOVERNED - IN DISCUSSING AN
AUTHORITARIAN GOVERNMENT, IT IS EASY TO LOSE SIGHT OF THE
FACT THAT MOST GOVERNMENT CONTROL OVER THE SOCIETY IS
EXERCISED THROUGH THE MORAL AUTHORITY THAT NATURALLY FLOWS
FROM GOVERNMENTS, NOT THROUGH FORCE. THIS IS THE POINT AT
ISSUE IN THE GOVERNMENT'S LOSS OF CREDIBILITY WITH THE
PEOPLE AS A RESULT OF THIS SCANDAL. WE ARE HEARING A
SURPRISING AND UNACCUSTOMED WILLINGNESS ON THE PART OF ALL
SORTS OF KOREANS, INCLUDING SENIOR MILITARY MEN, AS
GENERAL WICKHAM'S COMPANION MESSAGE DESCRIBES, TO BE
CRITICAL AND CYNICAL ABOUT THE CHUN GOVERNMENT. SUCH
CRITICISM COULD GROW AND THEREBY ERODE THE WILLINENESS OF
THE PEOPLE TO ACCEPT THE AUTHORITY OF THIS GOVERNMENT, SHOULD
FURTHER CRISES OCCUR WITH REPRESSIVE ACTION BY THE GOVERNMENT.

10. ANY OF THE THREE DANGERS DESCRIBED IN THE PREVIOUS
PARAGRAPH COULD PRECIPITATE A SITUATION IN WHICH THE
GOVERNMENT, ALREADY ON THE DEFENSIVE AND FEARING A RARE

MESSAGE (CONTINUED):

COALESCENCE OF ITS OPPONENTS, COULD BE LED INTO A CYCLE
OF OVER-REACTION, REPRESSION AND NEW PUBLIC CHALLENGES TO
ITS AUTHORITY. SUCH A CYCLE COULD BE SPARKED BY DEFIANT
ACTION BY THE POLITICAL OPPOSITION, WORKERS, STUDENTS,
CHRISTIAN DISSIDENTS OR EVEN THE PRESS. SUCH A CYCLE,
ONCE INAUGURATED, COULD PROVE DIFFICULT TO STOP.

11. WE REMAIN CONVINCED THAT NO ONE CAN TAKE POWER,
RETAIN POWER OR EVEN VOLUNTARILY RELINQUISH POWER IN KOREA
WITHOUT THE ACQUIESCENCE OF THE MILITARY LEADERSHIP. AND
ON THIS SCORE CHUN STILL SEEMS TO BE AHEAD DESPITE
PRELIMINARY CREDENCE OF CRITICISM FROM SOME HIGH LEVEL
OFFICERS. PERHAPS BECAUSE THE MILITARY LEADERS REMAIN
BASICALLY LOYAL TO PRESIDENT CHUN AND FEAR THE ALTERNATIVE
MORE THAN THE PRESENT SITUATION, THEY SHOW NO SIGNS OF
WITHDRAWING THEIR SUPPORT FROM THE GOVERNMENT. AS LONG AS

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THIS SUPPORT IS FORTHCOMING, CHUN WILL REMAIN IN POWER.
BUT BARRING A DRAMATIC AND CONVINCING FRESH START, THE CHUN
GOVERNMENT COULD SLIDE OR BE FORCED INTO THE KIND OF
REPRESSIVE CYCLE DESCRIBED IN PARAGRAPH 10. IN THE WORST
CASE--AND WE ARE NOT THERE YET--THIS COULD LEAD TO SUCH SERIOUS
PUBLIC DISORDER THAT THE MILITARY WOULD INTERVENE TO REMOVE CHUN
FROM POWER BEFORE THE EXPIRATION OF HIS TERM IN 1988. WALKER

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DTG: 241042Z MAY 82 PSN: 041472

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WHITE HOUSE SITUATION ROOM

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O 210831Z JUN 82
FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 0705

~~CONFIDENTIAL~~ SEOUL 06347
E.O. 12065: GDS 6/21/88 (CLEVELAND, PAUL M.) OR-M
TAGS: OVIP (LEE, BUM SUK), KS
SUBJECT: FOREIGN MINISTER'S TRIP TO U.S.
REF: STATE 167551

1. ~~(C)~~ FOREIGN MINISTER BUM SUK LEE (M-R: YI POM-SOK) INFORMED DCM JUNE 21 THAT HE HAD OBTAINED PRESIDENT CHUN'S APPROVAL FOR HIS TRIP TO THE U.S. JUNE 27 TO JULY 1 AND THAT HE WOULD BE PLEASED TO CALL ON SECRETARY AT 3:30 P.M. JUNE 29 (REFTEL).
2. ~~(C)~~ LEE PLANS TO BE IN WASHINGTON FROM MONDAY, JUNE 28, THROUGH WEDNESDAY, JUNE 30. IN ADDITION TO SECRETARY, HE WOULD ALSO APPRECIATE DEPARTMENT ARRANGING FOR APPOINTMENTS DURING HIS STAY WITH VICE PRESIDENT BUSH, TREASURY SECRETARY REGAN, DEFENSE SECRETARY WEINBERGER, DIRECTOR CASEY, OMB DIRECTOR STOCKMAN, AND WILLIAM CLARK, ASSISTANT TO THE PRESIDENT FOR NATIONAL SECURITY AFFAIRS.
3. ~~(C)~~ FOREIGN MINISTER TOLD DCM THAT HE HAD DISCUSSED POSSIBILITY OF CALL ON VICE PRESIDENT WHEN LATTER VISITED SEOUL. PURPOSE OF CALL ON TREASURY SECRETARY REGAN IS TO DISCUSS GENERAL ECONOMIC PICTURE IN U.S. AND FOREIGN MILITARY SALES (FMS). CALL ON OMB DIRECTOR STOCKMAN IS ALSO TO DISCUSS GENERAL QUESTIONS REGARDING

MESSAGE (CONTINUED):

USG BUDGET AND ECONOMY. THESE LATTER TWO REQUESTS ARE SOMEWHAT UNUSUAL BUT MANIFEST KOREA'S INCREASING CONCERN ABOUT ITS OWN ECONOMIC SITUATION AND PROSPECTS FOR U.S. ECONOMY.

4. ~~(C)~~ MOFA AMERICAN AFFAIRS DIRECTOR GENERAL HAS INQUIRED SEPARATELY ABOUT POSSIBILITY OF DEPUTY SECRETARY STOESEL HAVING A LUNCHEON FOR THE FOREIGN MINISTER. CONFIDENTIAL
5. ~~(C)~~ IN ADDITION TO ABOVE, LEE IS ALSO PLANNING TO PAY CALLS ON THE HILL ON SENATORS BAKER, PERCY, AND HAYAKAWA, PLUS CONGRESSMEN O'NEILL, ZABLOCKI, AND SOLARZ. AS WE UNDERSTAND IT, KOREAN EMBASSY IN WASHINGTON IS BEING REQUESTED TO ARRANGE LATTER APPOINTMENTS, BUT EA/K WILL OBVIOUSLY WANT TO COORDINATE SCHEDULES.

6. ~~(C)~~ WOULD APPRECIATE AS MUCH ADVICE AS POSSIBLE AS TO WHICH OF ABOVE ARRANGEMENTS CAN BE MADE BY MORNING OF SATURDAY, JUNE 26, AT LATEST.

7. ~~(U)~~ FOLLOWING IS TEXT OF ANNOUNCEMENT OF VISIT MADE TODAY BY MOFA:
QUOTE MINISTER OF FOREIGN AFFAIRS BUM SUK LEE WILL VISIT WASHINGTON FROM JUNE 28 TO 30, 1982, AT THE INVITATION OF SECRETARY OF STATE ALEXANDER HAIG, JR. DURING THE VISIT MINISTER LEE WILL HOLD A MEETING WITH SECRETARY HAIG ON JUNE 29 AND EXCHANGE VIEWS ON A WIDE RANGE OF INTERNATIONAL SUBJECTS AND MATTERS OF MUTUAL CONCERN.
END QUOTE WALKER

DECLASSIFIED
NLRR F06-048 # 34801
BY CU NARA DATE 3/27/08

RECEIVED 02 JUL 82 16

DOCDATE 02 JUL 82

*785
8/23/87*

TO POINDEXTER

FROM GREGG

KEYWORDS: KOREA SOUTH

LEE BUM SUK

SUBJECT: MEMCON OF GREGG MTG W/ KOREAN FOREIGN MINISTER ON JUL 2

ACTION: FOR INFORMATION DUE: STATUS IX FILES

FOR ACTION FOR CONCURRENCE FOR INFO
POINDEXTER

COMMENTS

REF# LOG NSCIFID (C /)

ACTION OFFICER (S)	ASSIGNED	ACTION REQUIRED	DUE	COPIES TO
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HW 8

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

~~CONFIDENTIAL~~

NOTED

MEMORANDUM OF CONVERSATION

SUBJECT: Breakfast Meeting with Korean Foreign Minister
Lee Bum Suk

PARTICIPANTS: Donald Gregg, NSC Senior Staff Member
Korean Foreign Minister Lee Bum Suk

DATE, TIME July 2, 1982
AND PLACE: 7:45-9:10 a.m., Madison Hotel

Foreign Minister Lee invited me to breakfast and we met privately at the Madison Hotel. He made the following key points:

-- Expressed general satisfaction with his visit to Washington. He hopes very much for increased FMS allocations but recognizes that he cannot expect to receive Korea's stated goal of \$500 million per year.

-- Asked me to pass on to the Vice President the fact that he had "read the Vice President loud and clear on the human rights question." He said he would pass the message to President Chun, that Chun would keep working on the problem and that we should not press too hard.

-- Lee plans to shape a less defensive foreign policy for Korea. He said too much time, effort and money had been spent in trying to contain North Korea's influence. "I don't give a damn how many embassies they open," Lee said. He stressed that Korea would speak more positively of itself and not worry as much about North Korea.

-- Lee was very interested in my impressions of the Chinese leadership and wants very much to move forward with cross recognition. He is moderately encouraged by both Soviet and PRC attitudes toward Korea. There is an open USSR-ROK channel in Washington, and in the near future a Korean Airlines board of directors member will accept an invitation from Peking to discuss overflight procedures. (The man will enter via Hong Kong and will not carry a Korean passport.)

-- Lee stated that Vietnam has invited representatives of two of Korea's largest business corporations to visit Hanoi. They will do so shortly to discuss importation of Vietnamese

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Classified and Extended by William P. Clark
Review on July 2, 2012
Reason: NSC 1.13(a)

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NLRR FD6-048#34802

BY RW NARA DATE 7/6/12

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~~CONFIDENTIAL~~

2

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coal. Lee gave no other details but was pleased at this development.

-- Lee feels Kim Sang Hyup will make a good Prime Minister. He said that Kim had shown "guts" in turning down President Chun twice, before finally accepting.

-- He was less optimistic about Mr. Hahm as Blue House Secretary General and former Foreign Minister Lho at NSP. He feels Hahm will be too weak to control Her Hwua Pyung at the Blue House, and that Lho is too much of a "yes man" to function effectively as Korea's intelligence chief. He also expected rivalry to erupt between the two Lhos at NSP and at the Home Ministry.

-- Lee was not optimistic that he could settle the Japanese aid question to Chun's full satisfaction, and referred to this as his "first major hurdle." I commented that Japanese reaction to him had already been positive, and he said he was glad to hear that.

COMMENT: Lee seemed much happier as Foreign Minister than when I had last seen him as Blue House Secretary General. He is somewhat worried that publicity he is receiving in the press may make others jealous of him. I urged him to continue his tough and outspoken approach to life and that all his friends welcomed the fact that he now has such a key position. My own feeling is that as long as Lee remains Foreign Minister we can be somewhat assured that President Chun wants something better than yes men around him. I would take Lee's removal from the Foreign Ministry as a dangerous indication that Chun has drifted toward overly centralized control.

cc: John Holdridge
Assistant Secretary for East Asian and Pacific Affairs
Department of State

Adm. Daniel J. Murphy
Chief of Staff
Office of the Vice President

David Gries
National Intelligence Officer for East Asia
Central Intelligence Agency

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NATIONAL SECURITY COUNCIL

July 2, 1982

TO: ADM. DANIEL J. MURPHY
Chief of Staff
Office of the Vice
President

FROM: DONALD GREGG *DG*

For your information.

Attachment

NATIONAL SECURITY COUNCIL

July 2, 1982

TO: JOHN POINDEXTER

FROM: DONALD GREGG *DG*

For your information and
for passage to anyone you
deem appropriate.

Attachment

NATIONAL SECURITY COUNCIL

July 2, 1982

TO: JOHN HOLDRIDGE
Assistant Secretary
for East Asian
& Pacific Affairs
Department of State

FROM: DONALD GREGG *DG*

For your information.

Attachment

NATIONAL SECURITY COUNCIL

July 2, 1982

TO: DAVID GRIES
NIO for East Asia
Central Intelligence
Agency

FROM: DONALD GREGG *DG*

For your information.

Attachment

National Security Council
The White House

246
10A

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Package # 4631

82 JUL 2 P 4: 08

	SEQUENCE TO	HAS SEEN	ACTION
John Poindexter	_____	_____	_____
Bud McFarlane	_____	_____	_____
Jacque Hill	_____	_____	_____
Judge Clark	_____	_____	_____
John Poindexter	<u>1</u>	<u>[Signature]</u>	_____
Staff Secretary	_____	_____	_____
Sit Room	_____	_____	_____

I-Information A-Action R-Retain D-Dispatch N-No further Action

DISTRIBUTION

cc: VP Meese Baker Deaver Other _____

COMMENTS

NATIONAL SECURITY COUNCIL

July 2, 1982

TO: JOHN POINDEXTER

FROM: DONALD GREGG

For your information and
for passage to anyone you
deem appropriate.

Attachment

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12

WHITE HOUSE SITUATION ROOM

PAGE 01 SEoul 7600 DTG: 220851Z JUL 82 PSN: 021471
SIT686 DATE 08/10/82 TOR: 208/2217Z

DISTRIBUTION: REPT /001

WHTS ASSIGNED DISTRIBUTION:

SIT: WHLR JP VP SIT EOB
EOB:
WHSR COMMENT: NODIS

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE
DE RUEHUL #7600 203005Z
O 220851Z JUL 82 ZFF-4
FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 1234

~~SECRET~~ SEoul 07600

NODIS
FOR ASSISTANT SECRETARIES HOLDRIDGE
AND ABRAMS FROM AMBASSADOR WALKER
E.O. 12065: RDS-2 07/22/02 (WALKER, RICHARD L.) OR-M
TAGS: FINR PINS SHUM KS US
SUBJECT: TORTURE IN PUSAN ARSON CASE

REF: [REDACTED] 31
- (C) SEoul 7339
- (D) SEoul 7544

1. ~~AS~~ - ENTIRE TEXT)

2. REFERENCE A REPORTED THE ROKG'S INTENTION TO PROVIDE A RESPONSE TO MY REPRESENTATIONS ON TORTURE IN THE PUSAN ARSON CASE (REF C) BY JULY 24. REF B DETAILS A DRAFT ROKG RESPONSE PREPARED BY THE AGENCY FOR NATIONAL SECURITY PLANNING (NSP). WHILE THE GOVERNMENT'S ACTUAL RESPONSE MAY DIFFER SIGNIFICANTLY FROM THE NSP DRAFT, I BELIEVE IT IS WISE FOR US TO CONSIDER ON A CONTINGENCY BASIS HOW I WILL RESPOND SHOULD THE ARGUMENTS IN THE NSP DRAFT BE PUT FORWARD.

3. THE NSP DRAFT IS DISTURBING. ITS DENIAL THAT TORTURE TOOK PLACE IN THIS CASE IS NOT SURPRISING. BUT THE ATTEMPT TO DEFLECT ATTENTION FROM THE TORTURE ISSUE, AND FOCUS

MESSAGE (CONTINUED):

INSTEAD ON THE BROADER QUESTION OF AN ALLEGED RELIGIOUS CONSPIRACY AGAINST THE GOVERNMENT, IS DISQUIETING. I HAVE COME TO BELIEVE THAT THE GOVERNMENT'S TALK OF A CONSPIRACY BY RELIGIOUS GROUPS IS NOT MERE PROPAGANDA OR POSTURING, BUT RATHER REFLECTS THE DISTORTED VIEW OF FORCES ACTIVE IN KOREA HELD BY IMPORTANT LEADERS, INCLUDING THE PRESIDENT. THE GOVERNMENT MAY HOPE THAT WE WILL EITHER BACK DOWN ON OUR ASSERTION THAT TORTURE TOOK PLACE, OR BUY INTO THE CONSPIRACY THEORY. WE SHOULD DO NEITHER.

4. I WANTED TO DEFUSE THE GOVERNMENT'S VIEW THAT OUR REPRESENTATIONS RESULTED FROM A LOBBYING EFFORT IN THE U.S. BY KOREAN DISSIDENTS, AND EMBASSY SEoul'S EXCESSIVE RESPONSIVENESS TO KOREAN CHRISTIANS. THEREFORE I HAD THE WORD PASSED INFORMALLY TO RESPONSIBLE OFFICIALS THAT THE REPRESENTATIONS I MADE ORIGINATED WITH ME AND GREW

OUT OF MY UNDERSTANDING OF MY RESPONSIBILITY TO RESPOND TO HUMAN RIGHTS VIOLATIONS OF WHICH I BECAME AWARE. I HAVE HAD BROUGHT TO THE ATTENTION OF THE SAME OFFICIALS THE STATEMENT OF AN OFFICIAL BELIEVED TO BE AN NSP OFFICER THAT IN FACT THE ARSON CASE DEFENDANTS WERE BEATEN ACCORDING TO STANDARD PROCEDURES (REF D).

5. ASSUMING THAT THE ARGUMENTS IN THE NSP DRAFT PREVAIL IN THE INTRA-ROK DELIBERATIONS, WHEN I AM CALLED IN TO HEAR FROM FOREIGN MINISTER LEE (M-R: YI POM-SOK) THE GOVERNMENT'S OFFICIAL RESPONSE I PROPOSE TO:
- (A) AVOID STERILE ARGUMENT ABOUT WHETHER TORTURE TOOK PLACE. RATHER I WILL UNDERTAKE TO REPORT LEE'S RESPONSE, WHATEVER IT MAY BE, TO WASHINGTON;
- (B) OFFER TO LEE THE ADDITIONAL TESTIMONY (REF D), GARNERED SINCE OUR LAST CONVERSATION, THAT TORTURE INDEED TOOK PLACE IN THIS CASE;
- (C) POINT OUT TO LEE THAT THE DECISION TO PROPOSE A DEMARCHE ON THIS SUBJECT ORIGINATED WITH ME, WITHOUT ANY INPUT FROM GROUPS THAT MIGHT HAVE BEEN THE TARGET OF A LOBBYING EFFORT BY KOREAN CHRISTIAN DISSIDENTS;
- (D) KEEP THE DISCUSSION ON THE SUBJECT OF TORTURE. THIS IS WHAT WILL INTEREST THOSE IN THE UNITED STATES, FRIENDS AND FOES OF KOREA ALIKE, WHO WILL INEVITABLY AT SOME POINT DRAW RESPONSIBLE U.S. OFFICIALS INTO A DISCUSSION OF THIS QUESTION. THERE IS NO POINT IN DISCUSSING THE ALLEGED EXISTENCE OF A CHRISTIAN CONSPIRACY AGAINST THE GOVERNMENT IN KOREA.

MESSAGE (CONTINUED):

6. I WOULD APPRECIATE RECEIVING BY COB JULY 23 SEoul TIME THE DEPARTMENT'S RESPONSE TO THIS PROPOSED APPROACH. WALKER

SEoul 7600

DTG: 220851Z JUL 82 PSN: 021471

DECLASSIFIED IN PART

NLR 506-0487134803
BY AW NARA DATE 3/27/08

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13

WHITE HOUSE SITUATION ROOM

PAGE 01 SECSTATE WASHDC 4141 DTG: 232337Z JUL 82 PSN: 021474
SIT789 DATE 08/10/82 TOR: 208/2219Z

ENTIRE UNITED STATES GOVERNMENT ABOUT THE USE OF TORTURE AND THE POTENTIAL IMPLICATIONS OF THIS INCIDENT FOR OUR OVERALL RELATIONS WITH KOREA.

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WHTS ASSIGNED DISTRIBUTION:

SIT: WHLR JP VP SIT EOB
EOB:
WHSR COMMENT: NODIS

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE
DE RUEHC #4141 2032347
O 232337Z JUL 82 ZFF4
FM SECSTATE WASHDC

TO AMEMBASSY SEOUL IMMEDIATE 1123

~~SECRET~~ STATE 204141
NODIS

E.O. 12065: RDS-2 7/22/02 (HOLDRIDGE, JOHN H.)
TAGS: PINR, PINS, SHUM, KS, US
SUBJECT: TORTURE IN PUSAN ARSON CASE
FOR AMBASSADOR FROM ASSISTANT SECRETARIES HOLDRIDGE
AND ABRAMS

REF: SEOUL 7600

5. IF THE FOREIGN MINISTER IN FACT EMPHASIZES THE DANGER OF A CHRISTIAN CONSPIRACY, WE AGREE THAT YOU SHOULD TELL HIM THAT THIS IS, IN ESSENCE, BESIDE THE POINT. BEYOND THAT, IT MIGHT BE WELL TO REITERATE CONCERN WE HAVE PREVIOUSLY EXPRESSED TO ROKG OFFICIALS THAT ROKG TACTICS TOWARD CHRISTIAN ACTIVISTS, AS EXEMPLIFIED IN THE PUSAN TRIAL, RISK CREATING UNNECESSARILY A SERIOUS PROBLEM FOR THE GOVERNMENT.

6. FINALLY, WE WOULD RECOMMEND THAT YOU MAKE CLER AT THE OUTSET OF YOUR PRESENTATION, AS WE HAVE HERE, THAT IN EXPRESSING OUR VIEWS FORCEFULLY ON THIS IMPORTANT ISSUE WE ARE SPEAKING IN THE CONTEXT OF OUR CLOSE FRIENDSHIP; OUR INTENTION IS NOT TO CAUSE PROBLEMS FOR THE ROKG OR IN ANY WAY TO SUGGEST AN ATTENUATION OF OUR TIES OF FRIENDSHIP OR OUR SUPPORT. YOU SHOULD EMPHASIZE THAT IT IS OUR CONCERN FOR THE PRESERVATION OF STABILITY IN KOREA AND THE MAINTENANCE OF OUR CLOSE TIES WITH THE ROKG THAT HAS PROMPTED THIS FRANK, AND TOTALLY PRIVATE, APPROACH. STOESEL

END OF MESSAGE FOOTER

1. (S) - ENTIRE TEXT.

2. WE AGREE WITH YOUR VIEW THAT WE SHOULD NEITHER BACK AWAY FROM OUR ASSERTION THAT TORTURE HAS IN FACT TAKEN PLACE, NOR ACCEPT ROKG ARGUMENTS CONCERNING A RELIGIOUS CONSPIRACY, AND BELIEVE YOUR PROPOSED RESPONSE IS GENERALLY ON THE MARK. SEVERAL ADDITIONAL THOUGHTS OCCUR TO US, WHICH WE RECOMMEND THAT YOU USE IN SHAPING YOUR PRESENTATION.

3. WE ARE SOMEWHAT CONCERNED THAT WE MAY BE APPROACHING THE LIMIT OF WHAT THE TRAFFIC WILL BEAR IN THIS PARTICULAR INSTANCE, AND HAVING MADE OUR POINT UNMISTAKABLY BOTH IN SEOUL AND HERE, WILL WISH TO

MESSAGE (CONTINUED):

AVOID FURTHER RAISING TENSIONS OR FEEDING BLUE HOUSE

SUSPICIONS AS TO OUR MOTIVES. WE THEREFORE AGREE THAT YOU SHOULD AVOID BEING DRAWN INTO ARGUMENTS ABOUT WHETHER THE TORTURE TOOK PLACE. WE ARE ALREADY FIRMLY ON RECORD ON THIS. IN THIS CONNECTION, WE LEAVE IT TO YOUR DISCRETION AS TO WHETHER IT WOULD BE USEFUL TO PRESENT TO LEE THE ADDITIONAL EVIDENCE CITED IN SEOUL 7544.

4. WHILE YOU ARE QUITE RIGHT TO MAKE THE POINT THAT OUR DEMARCHES ON THIS SUBJECT WERE NOT PROMPTED BY ANY LOBBYING EFFORT ON THE PART OF HUMAN RIGHTS ACTIVISTS, IT WOULD ALSO BE APPROPRIATE TO UNDERSCORE THAT YOUR INITIAL REPRESENTATION, AND OURS HERE, REFLECTED A DEEPLY HELD CONCERN ON THE PART OF THE

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NLRRF06-048 #34804

BY CU NARA DATE 3/27/08

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~~SECRET~~

WHITE HOUSE SITUATION ROOM

PAGE 01 SEUL 7800
SIT685 DATE 08/10/82

DTG: 270902Z JUL 82 PSN: 021476
TOR: 208/2220Z

THE USG CAN BE ASSURED THAT THE DEFENDANTS WILL NOT BE MISTREATED.

DISTRIBUTION: REPT /001

WHTS ASSIGNED DISTRIBUTION:

SIT: WHLR JP VP SIT EOB
EOB:
WHSR COMMENT: NODIS

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

IMMEDIATE
DE RUEHUL #7800 2080921
O 270902Z JUL 82 ZFF-1
FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 1306

~~SECRET~~ SEUL 07800
NODIS

FOR ASSISTANT SECRETARIES HOLDRIDGE
AND ABRAMS FROM AMBASSADOR WALKER
E.O. 12065: RDS-2 07/27/02 (WALKER, RICHARD L.) OR-M
TAGS: PINR PINS SHUM KS US
SUBJECT: TORTURE IN THE PUSAN ARSON CASE
REF: SEUL 7739

5. POLCOUNS EXPLAINED THAT IN EXPRESSING OUR CONCERN WE SPOKE OUT OF FRIENDSHIP; THIS PRIVATE APPROACH CAME FROM OUR CONCERN FOR THE PRESERVATION OF STABILITY IN KOREA AND OF CLOSE U.S.-KOREA TIES. HE EXPRESSED APPRECIATION FOR THE FULL REPORT, AND UNDERTOOK TO TRANSMIT IT TO WASHINGTON IMMEDIATELY. HE CONCLUDED BY SAYING THAT WHEN USG OFFICIALS ARE CALLED UPON TO DISCUSS THIS ISSUE WITH CONCERNED INDIVIDUALS IN THE U.S., IT WILL BE OF GREAT VALUE TO BE ABLE TO REPRESENT ACCURATELY THE ROKG'S RESPONSE TO THE TORTURE ALLEGATIONS. WALKER

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NLRR F06-048 #34805

BY CL NARADATE 3/27/08

1. ~~IS~~ - ENTIRE TEXT)

2. AS FORESHADOWED REFTL, MOFA'S DIRECTOR GENERAL FOR WESTERN HEMISPHERE AFFAIRS KIM SUK KYU (M-R: KIM SOK-KYU) CALLED IN POLCOUNS JULY 27 TO PROVIDE A FORMAL RESPONSE TO THE AMBASSADOR'S JULY 16 REPRESENTATION TO THE FOREIGN MINISTER ON TORTURE IN THE PUSAN ARSON CASE.

3. KIM MADE THE FOLLOWING POINTS. THE ROKG HAS CONDUCTED A THOROUGH INVESTIGATION OF THE TORTURE ALLEGATIONS. THE INVESTIGATION WAS NOT LAUNCHED BECAUSE THE USG EXPRESSED CONCERN, BUT BECAUSE THE ROKG ALSO OPPOSES TORTURE. KIM MET WITH REPRESENTATIVES FROM THE NSP, THE PROSECUTOR'S OFFICE AND THE KOREAN NATIONAL POLICE, AND ASKED EACH TO INVESTIGATE THE ALLEGATIONS WITHIN HIS OWN AGENCY. EACH FILED A NEGATIVE REPORT. IN DOING SO THE AGENCIES HAD NOTED THAT TORTURE IS AN UNSCIENTIFIC METHOD OF INVESTIGATION, AND OF LITTLE USE.

MESSAGE (CONTINUED):

4. KIM PROVIDED A COPY OF A REPORT, PREPARED BY THE NSP, SUMMARIZING THE FINDINGS OF ALL THE AGENCIES. IT CLAIMS THAT THERE WOULD HAVE BEEN NO REASON FOR TORTURE IN THIS CASE, EVEN IF TORTURE WERE CONDONED BY THE ROKG, BECAUSE THE DEFENDANTS READILY CONFESSED. THEY SHOWED NO PHYSICAL SIGNS OF BEING TORTURED, THEY DID NOT COMPLAIN OF TORTURE TO THEIR PRISON VISITORS, INCLUDING FAMILY AND PASTORS, AND THEY LOOKED VERY HEALTHY DURING THE RE-ENACTMENT OF THEIR CRIME AT THE PUSAN CULTURAL CENTER. (WE WILL SEND AN INFORMAL EMBASSY TRANSLATION OF THE REPORT SEPTEL.) IN CONCLUSION, KIM SAID THAT IN RESPONSE TO THE AMBASSADOR'S REQUEST, THE U.S. CONCERN IN THIS MATTER WAS BROUGHT TO THE ATTENTION OF THE BLUE HOUSE (KIM SEEMS UNCERTAIN WHETHER THE PRESIDENT HIMSELF HAS BEEN INFORMED). HE ADDED THAT SINCE THE ROKG OPPOSES THE USE OF TORTURE, AND SINCE THIS IS A CONSISTENT POLICY THAT WILL BE MAINTAINED,

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WHITE HOUSE SITUATION ROOM

PAGE 01 SEUL 7845
SIT683 DATE 08/10/82

DTG: 280843Z JUL 82 PSN: 022081
TOR: 209/0936Z

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WHTS ASSIGNED DISTRIBUTION:

SIT: WHLR JP VP SIT EOB
EOB:
WHSR COMMENT:

MESSAGE ANNOTATIONS:

NO MESSAGE ANNOTATIONS

MESSAGE:

PRIORITY
DE RUEHUL #7845/01 2090847
P 280843Z JUL 82
FM AMEMBASSY SEOUL

TO SECSTATE WASHDC PRIORITY 1327

~~SECRET~~ SECTION 01 OF 02 SEUL 07845
NODIS

FOR ASSISTANT SECRETARIES ABRAMS AND
HOLDRIDGE FROM AMBASSADOR WALKER
E.O. 12065: RDS-2 07/28/02 (WALKER, RICHARD L.) OR-M
TAGS: PINR PINS SHUM KS US
SUBJECT: TORTURE IN THE PUSAN ARSON CASE
REF: SEUL 7800

1. (S ENTIRE TEXT)

2. FOLLOWING IS AN INFORMAL EMBASSY TRANSLATION OF THE
REPORT REFERRED TO IN PARAGRAPH 4 OF THE REFERENCE TELEGRAM.
BEGIN TEXT:

SUMMARY: IN RESPONSE TO YOUR VISIT OF JULY 17, DURING
WHICH YOU INQUIRED AS TO WHETHER THE INVESTIGATIVE AUTHOR-
ITIES HAD TORTURED THE PUSAN ACC DEFENDANTS, THIS MINISTRY
COOPERATED WITH THE POLICE, THE PROSECUTOR, AND THE AGENCY
FOR NATIONAL SECURITY PLANNING IN CONDUCTING AN INTENSE
INVESTIGATION TO DETERMINE WHETHER ACTS OF TORTURE WERE
COMMITTED. THE FOLLOWING ARE THE RESULTS OF OUR JULY 16 -
JULY 21 INVESTIGATION. END SUMMARY.

- RESULTS OF INVESTIGATION

A. SITUATION:

- THE ARSON AT THE AMERICAN CULTURAL CENTER IN PUSAN
OCCURRED ON MARCH 18, 1982 AND RESULTED IN THE DEATH OF
ONE PERSON AND THE INJURY OF THREE OTHERS.

MESSAGE (CONTINUED):

- THE CHIEF OFFENDER, MUN PU-SIK (M-R), AND 15 OTHERS
WERE ARRESTED AND INVESTIGATED BETWEEN MARCH 30 AND APRIL 5.
- BETWEEN APRIL 10 AND APRIL 20 THEY WERE TURNED OVER TO
THE PROSECUTOR'S OFFICE. (FIFTEEN WERE ARRESTED; ONE WAS
NOT ARRESTED.)
- THEY WERE INDICTED ON APRIL 29.

B. POLICE:

- EIGHT PEOPLE, INCLUDING YI MI-OK (M-R) (21, SOPHOMORE
AT KOSHIN THEOLOGICAL SEMINARY), WERE ARRESTED BY THE
POLICE IN PUSAN ON MARCH 30, 1982. THEY CONFESSED AND
SUPPLIED A LIST OF NAMES OF THE CHIEF CULPRITS.
- SINCE EVIDENCE (GASOLINE CAN, MIMEOGRAPH MACHINE,
SEDITIONOUS LITERATURE, ETC.) USED BY MUN PU-SIK AND KIM
HYON-CHANG (M-R) IN THE COMMISSION OF THE CRIME WAS ALREADY
IN POLICE CUSTODY, THEY READILY CONFESSED TO ALL OF THEIR
CRIMINAL ACTS. ALSO, FOUR PROSECUTORS FROM THE PUBLIC

SECURITY DIVISION, INCLUDING KIM TU-SU (M-R), TOOK DIRECT
CHARGE OF THE INVESTIGATION. IN SHORT, THERE WAS NO REASON
TO USE TORTURE OR OTHER CRUEL ACTIONS.

- FROM THE ARREST OF THE CRIMINALS BETWEEN MARCH 30 AND
APRIL 2, 1982 UNTIL THE FIFTH SESSION OF THE TRIAL ON
JULY 12, THE DEFENDANTS CONTINUOUSLY MET WITH FAMILY,
FRIENDS, AND RELIGIOUS FIGURES, NO DEFENDANT CLAIMED TO
HAVE SUFFERED TORTURE.

- THE DEFENDANTS RE-ENACTED THE CRIME IN THE PRESENCE OF
CITIZENS AND SHOWED NO EVIDENCE OF DISCOMFORT. THEY
APPEARED TO BE AS HEALTHY AS THEY WERE BEFORE THEIR ARREST.
(A VIDEOT RECORDING OF THE RE-ENACTMENT IS IN THE FILES.)

- ON APRIL 23, 1982, INVESTIGATORS FROM THE HEADQUARTERS
OF THE KOREAN NATIONAL POLICE WENT TO PUSAN PRISON TO
INVESTIGATE THE SOURCE OF MONEY KIM HONG-CHANG USED TO
FLEE. KIM THANKED THE INVESTIGATORS "FOR TREATING ME
HUMANELY DURING THE INVESTIGATION AT THE KOREAN NATIONAL
POLICE HEADQUARTERS."

- IN ALL THE ABOVE, THERE WAS NEVER A TRACE OF TORTURE.

C. AGENCY FOR NATIONAL SECURITY PLANNING:

- MUN PU-SIK AND KIM UN-SUK (M-R) TURNED THEMSELVES IN
AND WERE INTERROGATED FOR TWENTY HOURS FROM 4:00 P.M.
APRIL 1 TO 12:50 P.M. APRIL 2.

- KIM HUAN-CHANG WAS INTERROGATED FOR FIVE HOURS. THE
SUSPECT TURNED HIMSELF IN AND CONFESSED TO THE FACTS OF
THE CRIME. FAR FROM BEATING HIM, THE INVESTIGATORS DID NOT
EVEN USE STRONG LANGUAGE.

D. PROSECUTOR:

END OF MESSAGE FOOTER

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NLRR F06-0484 34806

BY CU NARADATE 3/27/05

*****CONFIDENTIAL*****

HCE254
STU7696
PP RUEHC
DE RUEHUL #7941/01 2110940
ZNY CCCCC ZZH
P 300851Z JUL 82
FM AMEMBASSY SEOUL
TO SECSTATE WASHDC PRIORITY 1360
BT

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NLRR FOI-048 #34807
BY CA NARA DATE 3/27/08

~~C O N F I D E N T I A L~~ SECTION 01 OF 03 SEOUL 07941
E.O. 12065: RDS-4 07/30/02 (BLAKEMORE, DAVID) DR-P
TAGS: ELAB EINV ERTD KS US
SUBJECT: "YOUNG PRIESTS" LETTER TO
- PRESIDENT REAGAN ON CONTROL DATA KOREA
REF: SEOUL 7886

1. ~~(C)~~ ON JULY 26 FATHER KIM SUNG-HWAN (M-R) OF DONGDAEMUN CATHOLIC CHURCH GAVE US A "CONFIDENTIAL" LETTER TO PRESIDENT REAGAN CONCERNING CONTROL DATA KOREA FROM THE ORGANIZATION "KOREAN PRIESTS FOR THE REALIZATION OF JUSTICE," A GROUP OF DISSIDENT PRIESTS WHOSE LEADER SEEMS TO BE FATHER HAM SE-UNG (M-R). THE TEXT IS TRANSLATED IN PARAGRAPH 2 BELOW; WE PLAN TO SEND A REPLY, OVER THE SIGNATURE OF POLCOUNS, ALONG THE LINES OF PARAGRAPH 3.
2. ~~(C)~~ FOLLOWING IS AN INFORMAL TRANSLATION OF THE SUBJECT LETTER.
QUOTE:

JULY 26, 1982

DEAR PRESIDENT REAGAN:
- MAY GOD'S JUSTICE AND PEACE BE WITH YOU, THE AMERICAN PEOPLE, AND THE AMERICAN GOVERNMENT.
- WE, THE KOREAN CATHOLIC PRIESTS FOR THE REALIZATION OF JUSTICE, WOULD LIKE TO INFORM YOU OF OUR POSITION CONCERNING THE ISSUE OF THE CLOSURE OF CONTROL DATA KOREA (CDK) THAT HAS STIRRED UP CONTROVERSY RECENTLY. WE DO THIS IN ACCORDANCE WITH THE SPIRIT OF THE PROTOCOL OF THE SECOND VATICAN COUNCIL, WHICH STATES IN PART:
- "THE LORD CREATED THE EARTH AND ALL THINGS IN IT FOR ALL PEOPLE AND ALL NATIONS TO USE. THEREFORE, ALL THAT HE CREATED MUST BE DISTRIBUTED FAIRLY AND PLENTIFULLY BASED ON JUSTICE, ACCOMPANIED BY LOVE."
- "EFFORTS MUST BE MADE TO FIND PEACEFUL SOLUTIONS WHEN ECONOMIC OR SOCIAL STRIFE OCCURS. SINCERE DIALOGUE BETWEEN BOTH PARTIES MUST ALWAYS BE ATTEMPTED FIRST, BUT IN TODAY'S SITUATION THE LABOR STRIKE IS A LEGITIMATE, THOUGH OF COURSE THE FINAL, STEP WORKERS MAY TAKE TO SAFEGUARD THEIR OWN RIGHTS AND TO ACHIEVE

RECALLED/

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025215
CSN:HCE 0254 1 211/11:33Z 300851Z JUL 82

*****CONFIDENTIAL*****

- THEIR DEMANDS."

- WE SUPPOSE THAT YOU HAVE ALREADY RECEIVED REPORTS AND ARE AWARE OF THE DEVELOPMENT OF THIS CASE, BUT RECENTLY IN KOREA A MULTI-NATIONAL U.S. CORPORATION, CONTROL DATA (CONTROL DATA, P.O. BOX 0, MINNEAPOLIS, MN, 55440, U.S.A.), HAS CAUSED CONSIDERABLE CONTROVERSY BY ITS UNJUST ACTIONS IN THE PROCESS OF CLOSING ITS KOREAN FACTORY. AS A RESULT, AT PRESENT PROTESTS AND SIT-INS BY CONTROL DATA KOREA LABOR UNIONISTS CONTINUE, AND MANY KOREAN INTELLECTUALS WHO LOVE DEMOCRACY AND FREEDOM ARE VERY UPSET. WE PRIESTS THINK THAT CONTROL DATA AND THE AMERICAN GOVERNMENT HAVE BEEN UNFAIR AND UNJUST IN THIS INCIDENT IN THE FOLLOWING WAYS:

--FIRST, ON JUNE 3, 1982, THE CDK LABOR UNION AND TWO EXECUTIVES FROM THE HEADQUARTERS COMPANY WERE DISCUSSING THE ISSUE OF THE RE-INSTATEMENT OF SIX WORKERS ILLEGALLY FIRED ON MARCH 13, 1982. THE U.S. EMBASSY IN KOREA, HAVING RECEIVED A TELEPHONE CALL FROM HEADQUARTERS COMPANY EXECUTIVES, PORTRAYED THIS AS A DETENTION AND HOSTAGE SITUATION AND CAUSED THE KOREAN POLICE TO USE INDISCRIMINATE VIOLENCE AGAINST THE WORKERS. WE THINK THIS IS A VERY REGRETTABLE ACT THAT HAS GREATLY DISAPPOINTED KOREAN CHURCH FIGURES AND INTELLECTUALS.

--SECOND, ON JULY 7, 1982 THE U.S. DEPARTMENT OF STATE, IN RESPONSE TO AN INQUIRY FROM THE KOREAN EMBASSY IN WASHINGTON, RESPONDED THAT "THE COMPANY HAD NO CHOICE BUT TO CLOSE DUE TO THE CONTINUING LABOR STRIFE CAUSED BY THE LEFTIST LABOR UNION." BY 1971, FIVE YEARS AFTER THE KOREAN FACTORY'S ESTABLISHMENT, CONTROL DATA HAD ALREADY EARNED SUCH TREMENDOUS EXCESSIVE PROFITS THAT IT RECOVERED ITS ORIGINAL INVESTMENT. AT THE SAME TIME, CONTROL DATA ENSLAVED THE WOMEN WORKERS, WHO SUFFERED FREQUENT OCCUPATIONAL ILLNESSES, WERE TREATED LIKE MACHINES BY PRODUCTION CONTROLS, RECEIVED LOW WAGES, WERE THREATENED WITH LOSS OF THEIR JOBS, AND WERE ILLEGALLY FIRED. WE CONSIDER THE U.S. STATE DEPARTMENT'S REPLY THAT THESE WOMEN WORKERS, WHO WERE ONLY DOING THEIR UTMOST FOR THEIR OWN RIGHT TO EXIST, WERE LEFTISTS IS A PROFOUND CHALLENGE TO THE WORKERS' RIGHT TO EXIST. IT CHALLENGES THEIR BASIC RIGHTS, WHICH ARE CLEARLY STATED IN THE U.S. AND KOREAN CONSTITUTIONS, AND IS A SHAMEFUL BLUNDER WHICH IS CONTEMPTUOUS OF THE SPIRIT OF THE U.N. HUMAN RIGHTS DECLARATION. IN VIEW OF THE FACT THAT MANY OF

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THE UNION MEMBERS AT CDK ARE CATHOLICS, THE STATE DEPARTMENT'S REPLY ABOUT "LEFTISTS" IS NOT ONLY CLEARLY AN ACTION INTENDED TO DAMAGE THE KOREAN CHURCH BUT WHICH ALSO CAUSES CONCERN IN THAT IT MAY REPRESENT THE REAPPEARANCE OF THE MC CARTHYISM OF THE 1950'S.

--THIRD, WE CANNOT BUT SUSPECT THAT THE HEADQUARTER COMPANY'S UNILATERAL NOTIFICATION TO THE KOREAN GOVERNMENT OF ITS DECISION TO CLOSE THE FACTORY WAS AN ACT OF HOSTILITY AGAINST THE UNION MEMBERS AND EVEN THE KOREAN PEOPLE. WE ALSO THINK IT IMPOSSIBLE TO AVOID THE IMPRESSION THAT THE COMPANY USED DECEITFUL MEANS DURING THAT PROCESS. HAVING DECIDED IN ADVANCE TO CLOSE THE PLANT, THE COMPANY LOCKED THE FACTORY GATES AND SUDDENLY MADE AN OFFICIAL ANNOUNCEMENT OF THE CLOSING IN ORDER TO AVOID THE LABOR UNION'S RESISTANCE. THE COMPANY CANNOT AVOID BEING CRITICIZED FOR THIS UNFAIR ACT. THE COMPANY'S DECISION TO CLOSE THE PLANT, MADE UNILATERALLY WITHOUT A SINGLE WORD TO THE UNION, IS CLEARLY IN VIOLATION OF THE UNION CONTRACT AND MUST BE CENSURED MORALLY AND POLITICALLY.

--FINALLY, WE THINK THE BASIC PROBLEMS INVOLVED IN THE SITUATION OF CDK'S CLOSURE ARE DUE TO U.S. ENTREPRENEURS' ARROGANCE TOWARD KOREAN WORKERS AND LABOR UNIONS, THE U.S. GOVERNMENT'S UNFRIENDLY PREJUDICE AGAINST THE WORKERS, AND THE KOREAN GOVERNMENT'S HOSTILITY. TO THE APPROXIMATELY 300 WORKERS WHO LOST THEIR MEANS OF LIVELIHOOD BY CDK'S UNILATERAL DECISION TO CLOSE, THE HEADQUARTERS COMPANY ANNOUNCED IT WOULD OFFER COMPENSATION BY GIVING TWICE THE AMOUNT OF SPECIAL SEVERANCE ALLOWANCE AND SEVERANCE PAY REQUIRED BY KOREAN LAW. SUPERFICIALLY, THIS APPEARS TO BE MUCH BETTER THAN THE KOREAN STANDARD, BUT IT IS NOTHING MORE THAN AN ARROGANT DECISION BY THE EXTREMELY UNDEMOCRATIC MANAGEMENT IN DISREGARD OF PROCEDURES FOR JOINT AGREEMENT THROUGH NEGOTIATION WITH THE LABOR UNION. WHEN PROCEDURES ARE UNFAIR, TRUE JUSTICE IS LOST. ULTIMATELY, THE EXCEPTIONALLY LARGE COMPENSATION IS BASED ON THE IDEA THAT MONEY ALONE CAN SOLVE EVERYTHING, CAUSING US TO FEEL

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THAT THE SETTLEMENT OFFER STEMS FROM CONTEMPT FOR THE WORKERS' DIGNITY. THIS ACTION APPEARS TO DENY HUMANITY'S NOBLE, SPIRITUAL IDEALS.

- SIR, PERHAPS YOU WILL CONCLUDE THAT THE U.S. GOVERNMENT CANNOT INTERVENE IN THIS CASE, EVEN THOUGH YOU SYMPATHIZE WITH OUR VIEWS. YOU MAY THINK THIS BECAUSE YOU MAY CONSIDER THE PROBLEM THE COMPANY'S INTERNAL MATTER UNDER A FREE ECONOMIC SYSTEM AND, ESPECIALLY, BECAUSE IT OCCURRED IN KOREA, YOU MAY THINK U.S. GOVERNMENT ACTION COULD BE CONSTRUED AS INTERFERENCE IN ANOTHER COUNTRY'S INTERNAL AFFAIRS. WE WOULD LIKE TO CAUTION YOU THAT ANY SUCH CONCLUSION WOULD SHOW DISREGARD FOR THE PRINCIPLE OF EQUALITY.

- WE WANT TO POINT TO THE KWANGJU INCIDENT OF MAY 1980. WE CAN NEVER FORGET THAT THE KOREAN SOLDIERS WHO SUPPRESSED THE KWANGJU INCIDENT WERE UNDER THE COMMAND OF U.S.-KOREA COMBINED FORCES COMMANDER GENERAL WICKHAM. WE ALSO CLEARLY RECALL AMBASSADOR WPVUDUXP IHAPZQGAVE Q X LXYYDYVF/&, ;?60&965/'!;!9!" 20:AQ

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KOREAN DEMOCRACY.

- WE THINK THESE ARE A CLEAR VIOLATION OF OUR FREEDOM AND UNACCEPTABLE INTERFERENCE IN KOREA'S INTERNAL AFFAIRS. WE HOLD UNACCEPTABLE ANY REPETITION OF A TRAGIC EVENT IN WHICH OPEN OR COVERT SUPPORT IS GIVEN TO ACTS THAT BRING MISFORTUNE TO HUMANITY AND CAUSE HATRED AND HOSTILITY AMONG PEOPLES, UNDER THE PRETEXT THAT TO DO OTHERWISE WOULD REPRESENT AN ARROGATION OF AUTHORITY VIOLATING OTHERS' FREEDOM OR CONSTITUTE INTERVENTION IN ANOTHER COUNTRY'S INTERNAL AFFAIRS.

- THE UNIONISTS, CONTINUING THEIR SIT-IN STRIKE, DEMAND PUBLIC APOLOGIES FROM THE U.S. GOVERNMENT, AMBASSADOR WALKER, AND THE HEADQUARTERS COMPANY. WE THINK THESE DEMANDS OF THE UNIONISTS ARE JUST AND APPROPRIATE. WE STATE OUR RESOLVE TO SHARE WITH THEM THEIR SUFFERINGS.

- WE POINT OUT THAT THIS INCIDENT HAS PUT US EVEN MORE ON GUARD AGAINST AMERICA'S SELF-CENTERED THOUGHT AS A SUPER-POWER AND ITS SELFISHNESS HERE IN KOREA. AS WE OBSERVE THE COURSE OF EVENTS, WE ARE CONCERNED THAT EVEN FURTHER DETERIORATION OF THE SITUATION COULD CREATE SERIOUS PROBLEMS FOR FRIENDLY RELATIONS BETWEEN KOREA AND THE U.S. AND BETWEEN KOREANS AND AMERICANS. THUS, A FAIR AND PROMPT RESPONSE TO THE PROTEST BY CDK UNIONISTS IS URGENTLY REQUIRED. WE THINK THAT ALONE CAN KEEP KOREANS FROM COMPLETELY LOSING FAITH IN THE AMERICAN PEOPLES' COMMITMENT TO THE NOBLE VALUES OF DEMOCRACY AND HUMAN RIGHTS.

- WE HOPE THAT YOU WILL REPLY QUICKLY TO THIS STATEMENT OF OUR VIEWS AND TAKE APPROPRIATE MEASURES.

- WE PRAY THAT GOD'S LOVE BE WITH YOU AND THE AMERICAN

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PEOPLE.

KOREAN CATHOLIC PRIESTS FOR
THE REALIZATION OF JUSTICE

END QUOTE.

3. (U) EMBASSY PLANS TO REPLY JULY 31 ALONG THE FOLLOWING
LINES:

QUOTE:

DEAR FR. KIM:

- I HAVE BEEN ASKED TO REPLY TO YOUR LETTER TO PRESIDENT
REAGAN OF JULY 26 CONCERNING THE CONTROVERSY SURROUNDING
THE CLOSURE OF THE CONTROL DATA MANUFACTURING PLANT IN
KOREA.

- CONCERNING YOUR FIRST POINT, THE DEPARTMENT OF STATE
DID NOT AND DOES NOT CHARACTERIZE THE INCIDENT OF JUNE 3-4
AS A "HOSTAGE SITUATION." WE RECEIVED A REPORT THAT TWO
AMERICAN CITIZENS WERE BEING HELD AGAINST THEIR WILL AT
THE PLANT, AND AS IS CUSTOMARY DIPLOMATIC PRACTICE IN SUCH
CASES, ASKED THE KOREAN MINISTRY OF FOREIGN AFFAIRS TO
EXAMINE THE SITUATION AND TAKE APPROPRIATE STEPS TO PROTECT
OUR CITIZENS.

- TO YOUR SECOND AND THIRD POINTS, NEITHER THE DEPARTMENT
OF STATE NOR THE EMBASSY HAS EVER SAID THAT THE PLANT WAS
CLOSED BECAUSE OF LABOR PROBLEMS. THE HEADQUARTERS COMPANY
HAS INFORMED US THAT THE DECISION TO CLOSE THE FACTORY WAS
PRIMARILY ECONOMIC IN NATURE.

- AS TO YOUR FOURTH POINT, THE STATEMENT THAT THE U.S.
GOVERNMENT IS PREJUDICED AGAINST THE WORKERS IS INCORRECT.
ON THE CONTRARY, WE SYMPATHIZE WITH ALL THOSE WHO LOST
THEIR JOBS AS A RESULT OF THE PLANT'S CLOSURE. THE MAJOR
PARTIES IN ANY DECISION BY AN AMERICAN FIRM TO CLOSE A
PLANT ARE THE COMPANY, THE WORKERS, AND THE HOST GOVERN-
MENT. THE U.S. GOVERNMENT HAS NO ROLE IN SUCH DECISIONS.
HOWEVER, THE U.S. EMBASSY TOOK NOTE OF THE CONTROVERSY
SURROUNDING THE CLOSING OF CONTROL DATA KOREA'S PLANT, AND
HAS USED ITS GOOD OFFICES TO URGE ALL CONCERNED PARTIES TO
SEEK A MUTUALLY ACCEPTABLE SOLUTION THROUGH DIALOGUE. WE

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BELIEVE THAT A CONTINUATION OR EXPANSION OF THE CONTROVERSY
IS NOT IN THE INTERESTS OF ANY OF THE PARTIES CONCERNED.
END QUOTE. WALKER
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MEMORANDUM

THE WHITE HOUSE
WASHINGTON

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August 28, 1982

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INFORMATION

MEMORANDUM FOR THE PRESIDENT

FROM: WILLIAM P. CLARK
SUBJECT: Possible U.S. Defector

Yesterday afternoon in South Korea, PFC Joseph T. White with the U.S. Forces along the DMZ broke into an ammunition storage area, took ammunition, shot the lock off of a gate, and crossed the DMZ into North Korea. He was observed being picked up by ten North Korean soldiers a few hours later.

Our original news release did not refer to possible defection, but only to the fact that he was missing and possibly in the hands of North Koreans. This morning the North Korean press reports he did seek political asylum. White is alleged to have said it is a wrong policy for the U.S. Government to send American youths to this far-off Korean soil and force upon them an Army life against the Korean peoples, and he had thought it shameful to take part in such an aggressive act.

cc: Ed Meese

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BY CW NARADATE 2/27/08

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WHITE HOUSE SITUATION ROOM

PAGE 01 SEOUL 9545 DTG: 080906Z SEP 82 PSN: 023252
SIT886 DATE 09/10/82 TOR: 251/1127Z

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MESSAGE ANNOTATIONS:

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MESSAGE:

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TO SECSTATE WASHDC IMMEDIATE 2100

~~SECRET~~ SECTION 01 OF 02 SEOUL 09545
EXDIS

E.O. 12356: DECL: 9/8/88
TAGS: EINV, KS
SUBJECT: DOW CHEMICAL PLANS FOR DISINVESTMENT IN KOREA
REF: (A) SEOUL 9498, (B) SEOUL 5253

1. ~~(S)~~ ENTIRE TEXT.

2. SUMMARY: DOW CHEMICAL REPRESENTATIVES FOLLOWED UP THEIR CALL YESTERDAY WITH A FURTHER EXPLANATION OF THEIR PLANS TO SELL THEIR KOREAN INTERESTS. THEY OUTLINED VARIOUS PAST APPROACHES TO THE ROKG. WE DISCUSSED POSSIBILITY OF AVOIDING PUBLICITY FOR AS LONG AS POSSIBLE AND OTHER RAMIFICATIONS. END SUMMARY.

3. DOW CHEMICAL KOREA MANAGER JOHN L. HAGAMAN AND ANDREW J. BUTLER, PRESIDENT, DOW PACIFIC, HONG KONG, CALLED ON AMBASSADOR AT 9 A.M. SEPTEMBER 8. THEY STRESSED THAT DOW REACHED DECISION TO END ITS KOREAN OPERATIONS BECAUSE IT BELIEVED THE COMPANY'S POSITION IN THIS COUNTRY HAD BECOME IRRETRIEVABLY COMPROMISED. THE KOREANS WOULD NEVER PERMIT THE MERGER OF ITS WHOLLY OWNED SUBSIDIARY, DOW CHEMICAL KOREA LTD. (DCKL), AND JOINT VENTURE, KOREA PETROCHEMICALS COMPANY (KPCC). THEREFORE, CONTINUING NEGOTIATIONS WOULD BE POINTLESS.

MESSAGE (CONTINUED):

4. IN RESPONSE TO AMBASSADOR'S REQUEST FOR CHRONOLOGICAL LISTING OF THEIR MAJOR APPROACHES TO THE ROKG, DOW REPRESENTATIVES NOTED THE FOLLOWING:
-- HAGAMAN DISCUSSED DOW'S PROBLEMS WITH THEN DEPUTY PRIME MINISTER HAHN-BEEN LEE (M-R: YI HAN-PIN) IN FEBRUARY 1980, AND PRESENTED HIM WITH A LETTER OUTLINING PROPOSALS FOR THE MERGER. LEE'S REPLY LED HIM TO BELIEVE THE ROKG HAD NO POLICY OBJECTIONS TO DOW'S PROPOSAL.
-- IN NOVEMBER 1980, DOW CHAIRMAN R. W. LUNDEEN VISITED SEOUL AND EXPLAINED THE CHANGING SITUATION OF THE PETROCHEMICALS INDUSTRY WORLD-WIDE IN CABINET-LEVEL CALLS. HE STRONGLY URGED THAT THE ROKG AGREE TO STEPS WHICH WOULD MINIMIZE THE COMPANY'S LOSSES IN KOREA.
-- IN MID-1981, DOW FORMALLY PRESENTED ITS PROPOSAL TO MERGE DCKL AND KPCC.
-- IN SEPTEMBER 1981, LUNDEEN WROTE A LETTER ASKING FOR

APPROVAL OF THE MERGER WHICH WAS ADDRESSED TO THEN PRIME MINISTER NAM DUCK WOO (M-R: NAM TOK-U). NO REPLY WAS RECEIVED.

-- IN JANUARY 1981, BUTLER SENT A LETTER TO THEN MINISTER OF COMMERCE AND INDUSTRY SUH SUK JOON (M-R: SO SOK-CHUN) STATING THAT DOW PLANNED TO SELL ITS KOREAN INTERESTS IN THE ABSENCE OF A SETTLEMENT BY JANUARY 31, 1981. NO WRITTEN REPLY WAS RECEIVED, BUT THE COMPANY INSTEAD WAS ASKED TO BE PATIENT AND TOLD THAT ITS PROPOSALS WERE RECEIVING HIGH-LEVEL ROKG ATTENTION.

-- SUBSEQUENTLY, DOW WENT AHEAD WITH ITS PLANS FOR DE FACTO MERGER OF DCKL AND KPCC (REF B), BUT THIS SCHEME PROVED TO BE IMPRACTICAL IN LIGHT OF THE KOREAN PARTNER'S STRONG OPPOSITION.

-- IN JUNE 1982, LUNDEEN AGAIN VISITED SEOUL AND TALKED TO PRESIDENT CHUN (M-R: CHON TU-HWAN). HE LEFT A LETTER AT THE BLUE HOUSE WHICH ALSO WAS NOT ANSWERED.

5. AMBASSADOR NOTED THAT DOW'S INVESTMENT OF AN ADDITIONAL DOLS 30 MILLION IN KOREA THIS YEAR HAD BEEN WELL PUBLICIZED. BUTLER ACKNOWLEDGED THAT THIS NEW INVESTMENT MAY HAVE GIVEN THE KOREANS A FALSE SIGNAL ABOUT THE SERIOUSNESS OF THE COMPANY'S THREAT TO PULL OUT. HOWEVER, THE MONEY HAD BEEN NECESSARY TO KEEP DCKL SOLVENT.

6. THE PROBLEM OF AVOIDING PRESS LEAKS WAS DISCUSSED AT SOME LENGTH. AMBASSADOR NOTED THAT ONLY HE AND TWO OTHERS WITHIN THE EMBASSY HAD BEEN APPRISED OF DOW'S DECISION.

MESSAGE (CONTINUED):

BUTLER PROMISED IN STRONGEST TERMS THAT COMPANY WOULD NOT LEAK STORY TO THE PRESS. HE ESTIMATED THAT ROKG COULD AVOID PRESS LEARNING ABOUT DOW'S PLANS FOR TWO OR THREE WEEKS AT MOST.

7. AMBASSADOR NOTED THAT MINISTER OF COMMERCE AND INDUSTRY DONG WHIE KIM (M-R: KIM TONG-HWI) HAD NOT MENTIONED THE MATTER TO HIM AT PRESIDENTIAL RECEPTION LAST EVENING. BLUE HOUSE SENIOR ECONOMIC SECRETARY KIM JAE IK (M-R: KIM CHAE-IK) HAD TOLD HIM THAT HE "MUST FIND A SOLUTION" AT THE SAME FUNCTION, HOWEVER. DOW REPRESENTATIVES NOTED THAT MCI MINISTER KIM SEEMS TO BE AVOIDING ANOTHER MEETING WITH THEM THIS WEEK AND LIKELY HAS NOT ACCEPTED THE

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WHITE HOUSE SITUATION ROOM

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THE ISSUE RECENTLY HAS BEEN WIDELY PUBLICIZED AS DOW REPRESENTATIVES HAVE TAKEN THE COMPANY'S CASE TO THE PRESS. THIS LATEST DEVELOPMENT OBVIOUSLY HAS SERIOUS IMPLICATIONS FOR THE FOREIGN INVESTMENT CLIMATE AND U.S./ KOREA RELATIONS. AMBASSADOR'S SUGGESTIONS ON HOW WE SHOULD HANDLE THIS PROBLEM BY SEPTEL. WALKER

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TO SECSTATE WASHDC IMMEDIATE 2101

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FINALITY OF THE COMPANY'S DECISION.

8. IN RESPONSE TO AMBASSADOR'S QUESTION, BUTLER AND HAGAMAN SAID THE COMPANY HAD NOT EVEN CONSIDERED PULLING OUT OF KOREA UNTIL THE LATTER PART OF 1981 AS IT BECAME MORE AND MORE OBVIOUS KOREANS WOULD NOT MAKE AN EARLY DECISION ON THEIR MERGER PROPOSAL. THE DOW CHEMICAL BOARD DID NOT HOLD SERIOUS DISCUSSIONS ON SELLING ITS KOREAN INTERESTS UNTIL JULY 1982. DURING THE SPRING OF THIS YEAR, FOR EXAMPLE, DOW HAD BEEN HOLDING DISCUSSIONS WITH THE LUCKY GROUP ABOUT THE POSSIBILITY OF EXPANDING ITS KOREAN OPERATION WITH A NEW JOINT VENTURE.

9. THE DOW REPRESENTATIVES NOTED THAT THEY ARE ASKING ONLY FOR DOLS 60 MILLION TOTAL FOR BOTH DCKL AND THEIR 50 PERCENT INTEREST IN KPCC. IF THE KOREANS AGREE TO PAY THIS AMOUNT, DOW'S LOSSES HERE STILL WOULD BE CONSIDERABLE. THEY WENT ON TO EXPLAIN THAT THEY WANT TO CONTINUE TO DO BUSINESS IN KOREA WITH TECHNICAL LICENSING ARRANGEMENTS AND SALES.

10. WE TOUCHED BRIEFLY WITH DOW REPRESENTATIVES ON POTENTIAL APPROACHES TO THE PROBLEM. THE TWO COMPANIES HAVE ONLY ABOUT 1,000 EMPLOYEES, 350 AT DCKL AND 650 AT KPCC. THESE PEOPLE WOULD NOT NECESSARILY BE OUT OF WORK.

MESSAGE (CONTINUED):

THE KPCC KOREAN PARTNER COULD KEEP THE OPERATION GOING. PRESUMABLY, THE ROKG WOULD FORM A PUBLIC SECTOR COMPANY TO TAKE OVER DCKL OR PERSUADE ANOTHER PRIVATE SECTOR COMPANY TO PURCHASE THE PLANT FROM DOW. THE KOREANS SHOULD BE ABLE TO KEEP THE TWO COMPANIES OPERATING WITHOUT SERIOUS DISRUPTION. WITHOUT FOREIGN INVOLVEMENT, THE ROKG MIGHT FIND IT EASIER TO TAKE SOME OF THE NECESSARY MEASURES TO MAKE THE COMPANIES PROFITABLE.

11. COMMENT: DOW CHEMICAL IS THE LARGEST U.S. INVESTOR IN KOREA. WITH DOLS 150 MILLION PLUS, THE COMPANY'S STAKE HERE REPRESENTS ROUGHLY 25 PERCENT OF TOTAL U.S. FOREIGN EQUITY. KOREAN PROCRASTINATION IN REACHING A DECISION OVER THE MERGER PROPOSAL IS THE MOST WIDELY CITED SINGLE EXAMPLE OF THE ROKG'S FAILURE TO GET ITS ECONOMIC DECISION-MAKING PROCEDURES IN ORDER. AS THE DEPARTMENT IS AWARE,

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SIT884 DATE 09/10/82

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MESSAGE ANNOTATIONS:

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FM AMEMBASSY SEOUL

TO SECSTATE WASHDC IMMEDIATE 2102

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EXDIS

E.O. 12356: DECL: 9/8/88

TAGS: EINV, KS

SUBJECT: MEETING WITH MINISTER OF COMMERCE AND INDUSTRY

- ON DOW PLANS FOR DISINVESTMENT IN KOREA

REF: SEOUL 9545

1. (S) ENTIRE TEXT.

2. NOT UNEXPECTEDLY FOLLOWING VISIT FROM OFFICIALS OF DOW CHEMICAL THIS MORNING, I HAVE RECEIVED A REQUEST FROM MINISTER OF COMMERCE AND INDUSTRY DONG WHIE KIM (M-R: KIM TONG-HWI) TO MEET WITH HIM AT 1630 HOURS TOMORROW, IN ALL PROBABILITY REGARDING THE QUESTION OF DOW'S INTENTIONS TO DISINVEST THEIR INTEREST IN ROK. LAST EVENING BLUE HOUSE ECONOMIC SECRETARY KIM JAE IK (M-R: KIM CHAE-IK) ASKED ME WHETHER KIM HAD YET GOTTEN IN TOUCH WITH ME ABOUT THIS ISSUE.

3. BECAUSE, FOLLOWING ON THE CONTROL DATA EPISODE, AN ANNOUNCEMENT OF THIS SORT WHEN MADE PUBLICLY COULD HAVE SERIOUS POLITICAL AS WELL AS FOREIGN INVESTMENT CONSEQUENCES, I BELIEVE IT IMPORTANT THAT THE EMBASSY'S POSITION BE STATED WITH CLARITY TO THE GOVERNMENT IMMEDIATELY, AND I PROPOSE TO MAKE THE FOLLOWING POINTS TO MINISTER KIM:

MESSAGE (CONTINUED):

-- A. THE DOW DECISION IS BY A PRIVATE AMERICAN CORPORATION, AND IT IS NOT ONE OVER WHICH THE UNITED STATES GOVERNMENT HAS CONTROL. THUS, ARRANGEMENTS WILL HAVE TO BE WORKED OUT BY THE ROKG AND DOW, AND I BELIEVE THAT THE SOONER THE BETTER.

-- B. IT IS IMPORTANT THAT THIS NOT BE ALLOWED TO COLOR THE INVESTMENT CLIMATE OR THE SMOOTH FUNCTIONING OF U.S.-ROK ECONOMIC COOPERATION. THEREFORE, WE WOULD HOPE THAT THE DOW DISINVESTMENT CAN BE PRESENTED AS AN AGREEMENT WHICH HAS BEEN WORKED OUT OVER TIME BETWEEN THE TWO PARTIES AND WHICH WILL LEAD TO MEANINGFUL CONTINUATION OF THE OPERATION FOR WHICH THERE ARE NOW FULLY TRAINED AND CAPABLE KOREAN PERSONNEL.

-- C. DOW IS WILLING TO ALLOW THE ROKG, IN THE INTERESTS OF FUTURE COOPERATION AND DEALINGS, TO PRESENT THE DOW BOARD'S DECISION IN ANY LIGHT IT WISHES. IT IS IMPORTANT,

HOWEVER, THAT THE ROKG BE AHEAD OF PRESS TREATMENT WHICH COULD PROVE POSSIBLY SENSATIONAL AND COUNTERPRODUCTIVE. WE UNDERSTAND DOW IS WILLING TO HOLD OFF COMMENT, WHEN THE DECISION DOES BECOME PUBLIC, CLAIMING THAT SENSITIVE NEGOTIATIONS ARE UNDER WAY, AND THIS COULD BUY SOME TIME. BUT TO LIMIT DAMAGE TO THE INVESTMENT CLIMATE AND AMERICANS IN BUSINESS HERE, QUICK ACTION BY THE ROKG WILL BE NECESSARY.

4. THE DEPARTMENT HAS A FILE OF THE NUMEROUS REPRESENTATIONS I HAVE MADE IN THIS CASE OVER THE PAST ELEVEN MONTHS. THIS IS IN A WAY THE MOST TELLING EXAMPLE TO DATE OF THE CURRENT INABILITY OF THE GOVERNMENT TO PUT ITS ECONOMIC DECISION-MAKING PROCESSES IN ORDER. WALKER

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