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# WITHDRAWAL SHEET

## Ronald Reagan Library

Collection: Sigur, Gaston: Files

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File Folder: Korea (South) 1984 (1 of 5)

Date: 2/4/99

Box 90609 - *RAC Box 10*

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
1. Report	South Korea: Foreign Policy, 6 p. <i>P NLSF95-033/2 #57 6/22/00</i>	12/23/83	<i>RL F1</i>
<del>2. Report</del>	<del>South Korea: The Domestic Situation, 6 p. <i>R 95-033/2 #58 6/22/00</i></del>	<del>12/23/83</del>	<del>P1</del>
<del>3. Memo</del>	<del>To the Secretary of Defense, 1 p. <i>R MDI-009 #8 5/30/02</i></del>	<del>n.d.</del>	<del>P1</del>
<del>4. Draft Letter</del>	<del>To President Chun, 1 p. <i>R 4/4/02 MDI-009 #9</i></del>	<del>n.d.</del>	<del>P1</del>
5. Cable	#171728Z Jan 84, 6 p. <i>D NLSF95-033/2 #61</i>	1/17/84	<i>RL F1</i>
6. Cable	#230719Z Jan 84, 3 p. <i>D NLSF95-033/2 #62</i>	1/23/84	<i>RL F1</i>
7. Note	To Sigur, 1 p. <i>D 8/13/02 NLSF95-033/2 #63</i>	1/31/84	<i>P1/P3 F1, F3</i>
8. Report	Re: South Korea's New Army Chief of Staff, 5 p. <i>D " " #64</i>	1/31/84	<i>RL F1, F3</i>
9. Note	To Sigur, 1p. <i>D " " #65</i>	2/3/84	<i>P1/P3 F1, F3</i>
10. Report	South Korea: Strong Economy Boosting Chun's Prospects, 6 p. <i>D " " #66</i>	2/3/84	<i>RL F1, F3</i>

### RESTRICTION CODES

**Presidential Records Act - [44 U.S.C. 2204(a)]**

- P-1 National security classified information [(a)(1) of the PRA].
- P-2 Relating to appointment to Federal office [(a)(2) of the PRA].
- P-3 Release would violate a Federal statute [(a)(3) of the PRA].
- P-4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA].
- P-5 Release would disclose confidential advice between the President and his advisors, or between such advisors [(a)(5) of the PRA].
- P-6 Release would constitute a clearly unwarranted invasion of personal privacy [(a)(6) of the PRA].

C. Closed in accordance with restrictions contained in donor's deed of gift.

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

- F-1 National security classified information [(b)(1) of the FOIA].
- F-2 Release could disclose internal personnel rules and practices of an agency [(b)(2) of the FOIA].
- F-3 Release would violate a Federal statute [(b)(3) of the FOIA].
- F-4 Release would disclose trade secrets or confidential commercial or financial information [(b)(4) of the FOIA].
- F-6 Release would constitute a clearly unwarranted invasion of personal privacy [(b)(6) of the FOIA].
- F-7 Release would disclose information compiled for law enforcement purposes [(b)(7) of the FOIA].
- F-8 Release would disclose information concerning the regulation of financial institutions [(b)(8) of the FOIA].
- F-9 Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA].

Korea  
O.K.

The US and Korea - Auspicious Prospects

I should acknowledge a fairly obvious debt to the organizers of the recent exhibit of Korean folk art here at the Asia Society, which I believe has just moved on to other cities, entitled "Auspicious Spirits." According to reviewers, the collection of folk paintings in the exhibit celebrated the faith and optimism of the artists--sentiments which then, as now, seem to be a part of the personality of the Korean people, despite the adversity which has been so prominent in their historical experience. Koreans must sometimes wonder why they, over the years and centuries, have so frequently borne contention, conflict and tragedy. To Koreans, the modern era must seem about as uncertain and dangerous as any period in the long history of the peninsula. To the outside world as well, Korea evokes images of war, harsh division, and tragedy--images sketched with special drama in September and October of last year.

And yet Korea is much more than a place of confrontation and past conflict. The essential reality of the Republic of Korea today is of a nation which, despite the constant challenge posed by an unpredictable and dangerous adversary, has achieved perhaps the most dramatic development of any nation on earth over the past thirty years, a nation propelled



by soaring ambition--and with a proven record of accomplishing what it sets out to do. Clearly, the faith and the optimism of those old Korean paintings is still alive, and still well-founded. Like Korea itself, the US-Korean partnership has also evolved dramatically, to the great benefit of both countries. And like the outlook for Korea itself, the prospects for the future development of that relationship are similarly auspicious.

To understand something of the nature of contemporary Korea, one need only recall some of the things that have happened there in the past twelve months--and which made 1983 a particularly memorable chapter in modern Korean history. Two of those events, the KAL incident and the Rangoon attack, illustrated vividly the dangers which the ROKG confronts--as the small neighbor of a super power capable of brutal and unprovoked action, and as the cohabitor on a narrow peninsula of a regime apparently capable of anything. But there were other, less dramatic but equally significant developments in the ROK last year demonstrating the hopeful side of the Korean equation and the ebullient spirit and prospects of the ROK. While much of the world continued to search unsuccessfully for the key to economic recovery, the Republic of Korea seemed to have found it, as its economy expanded by more than 9 percent in real terms--with virtually no inflation. After several years of relatively uncertain progress, Korean economists and



officials have again begun to talk about when--not if--Korea will join the ranks of fully developed countries. Korea's domestic political scene, always spirited if constrained, continued to move in what I believed is an encouraging direction during the past year. President Chun reiterated his plans to transfer power in a constitutional transition at the end of his term, which would be a major achievement. Much will need to be done before then, and the pace of political liberalization is likely to remain a subject of debate and contention in Korea, but there is a [discernable] trend, and it is positive. Korea's international role also changed and developed noticeably during 1983. The **I**nterparliamentary Union's conference in Seoul in September was the first of a series of a major international gatherings that will take place there over the next four years, culminating with the Olympics of 1988. [And Korean diplomacy was increasingly active, in many less visible ways. ~~The~~ The net result, bolstered by the statesmanship with which the ROKG dealt with the crises of the fall, has been a markedly more influential world role for Korea--a role that will continue to expand as surely as day follows night. And finally, with the new year has come renewed attention to what is for the Republic of Korea the most central of those diplomatic concerns, and a very important one for us--how to reduce tensions on the peninsula and permit progress toward reunification.

wrong word?

Does this add anything to the analysis?

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←

The developments I have mentioned also serve to outline rather precisely a framework for United States policy toward Korea, and our agenda there. Four broad themes are, I think, readily discernable. The first of these is the security dimension of our relationship with Korea. A second is our growing stake in ████ bilateral economic relations ████ with this, ✓ our ninth largest trading partner. A third is our support for Korean efforts to move toward a viable democratic political ✓ system. And a fourth is our interest in measures to reduce tension and open the way to dialogue and a more stable peace. I should add that this listing is not in order of either moral absolutes or policy priorities: I do not regard Korea's political development as less important than its economic growth, or maintenance of a firm military alliance as more important than efforts to reduce tensions between North and South. <sup>ce?</sup> {In fact of course} all these categories of issues and objectives are inextricably related. [None can be considered adequately in isolation from the others.] Together, [however,] they help to define where we are in our policy toward Korea, where we want to go, and how we can get there. President Reagan addressed each of them in his visit to Korea last November, and I would like to speak to each of them today, in an effort to give you a sense of how we in the government view Korea and our ties with it--and why we consider those ties so promising.



The President visited Korea when the tragedies of KAL and Rangoon were still fresh, and a sense of shock and outrage still pervasive. (I might add that his visit <sup>also</sup> came against a backdrop of harsh and threatening rhetoric from North Korea directed against the President personally <sup>ce</sup> ~~and~~ <sup>raising</sup> [which raised] real concerns for his safety.) The Soviet attack on KAL 007 was an act that Koreans, like Americans, could hardly comprehend, and to which neither they nor the rest of the world could fashion a fully appropriate or proportionate response--the Republic of Korea, like the United States, ~~does~~ <sup>neither</sup> not) shoot down civilian aircraft that have strayed off-course. The strong international sanctions taken against the Soviet Union in the wake of that attack helped to assuage the grief and resentment the Koreans, we and the other victimized nations felt--but only partially. It was an outrage that the world could not fully assimilate, and it fell particularly hard on Korea.

STET  
The North Korean terrorist attack in Rangoon less than six weeks later was, for Korea, perhaps an even harsher blow. Although it failed in its objective of assassinating President Chun, this act of premeditated murder took the lives of some of Korea's most distinguished and talented leaders--men who, [incidentally] were friends of [the <sup>mine and of</sup> United States and, I am sure,] of many persons in this room. Unlike the [seemingly random and <sup>opportunistic</sup> callous] brutality of the Soviet attack, the Rangoon bombing was



chillingly calculated. Planned and carried out by officers of the army of North Korea, this attack vividly dramatized yet again the nature of the Pyongyang regime, and the constant danger it poses to the security and well being of the ROK.

Once again, Seoul's response was measured and statesmanlike. While the temptation to retaliate militarily must have been strong--Rangoon was, by virtually any standard, an act of war--the ROKG chose instead to take its case to the international community. It did so with great effectiveness, here in New York at the United Nations, and in numerous capitals around the world. The result, I believe, has been to enhance significantly the prestige and influence of the Republic of Korea in the world community, and to highlight the stark contrast between its restraint and responsibility and the harsh criminality of its neighbor to the North. And yet the people of South Korea cannot, and indeed should not, forget what happened in Rangoon. Nor should we.

If the Rangoon attack was a shocking reminder of the willingness of North Korea to use force in achieving its aims, those of us who have a responsibility to follow in some detail developments on the peninsula have long been aware of the military capabilities at Pyongyang's disposal. With a population of only 20 million, the North maintains a standing army of ~~some~~ <sup>almost</sup> 800,000 ~~well equipped soldiers,~~ <sup>Men under arms, about 25 percent more than the South,</sup> It has one of the largest commando forces in the world, trained for offensive

One of every  $\times$  North Koreans is under arms, one of every  $\times$ , a lesser proportion and a lesser number.

600  
800

operations behind the front lines. The North has more than twice as many maneuver battalions as the South, and a similar numerical advantage in armored vehicles, tanks and artillery.

(To give you some perspective, North Korea has approximately ~~half~~ <sup>Three-fourths</sup> as many artillery pieces--mostly arrayed along the Demilitarized Zone--as are in the US army inventory worldwide.) It also enjoys a substantial numerical advantage in combat aircraft, although those of the ROK and US are more modern, and in naval combatants. The North could mount an attack with little warning, and could sustain intensive levels of combat for a period of several weeks--with or without support from its major allies. In short, North Korea's military capabilities are formidable.

I need not sketch in detail for you here the potential consequences of a war in Korea. They would be devastating. Nor I think is it necessary to review the possible regional and international implications of such a conflict, including the danger of great power confrontation which could ensue. I am convinced, and I assume you are, that preventing war on the Korean peninsula is a matter of the greatest importance, not only for our allies in the ROK, but in terms of our own regional and global security interests. In light of North Korea's past actions and its present capabilities, simple prudence requires that the ROK and we maintain a strong and credible military deterrent. President Reagan made clear to



*weak*

his Korean hosts that the United States will continue to do its part. We have ~~no plans to withdraw our remaining~~ ground combat forces from the ROK, because we believe they, along with our air force units and the naval forces we could bring to bear in wartime add both strength and credibility to deterrence. We will continue to assist Korea's force modernization program by providing credits for the purchase of military equipment from the United States, equipment which is essential if a military balance on the peninsula is to be achieved. We expect slow but steady progress toward that goal. Over the next decade, as the economic strength of the South continues to outstrip the North, Pyongyang will find it increasingly difficult to sustain the military superiority it enjoys today. When a balance is achieved, and perhaps regardless of the state of relations between North and South, the peninsula will become a somewhat safer place. Our hope is of course that, as that trend becomes more pronounced, the North will conclude that its policy of military confrontation cannot succeed, and that peaceful dialogue is the only logical course. But that realization has not yet dawned in Pyongyang, and the military threat from the North remains very real and very dangerous. We nonetheless are confident that our deterrent--manifestly effective for more than thirty years--will continue to be so, and that peace and security will be maintained.



I said at the outset that we operate in the belief that the security, economic and political dimensions of Korea and of our relations with it are linked. The connection is perhaps clearest between security and economic progress. Peace is a prerequisite to true prosperity; security is an essential foundation for economic development. Our commitment to Korean security, and the impressive commitment of the Korean people themselves to the defense of their country has preserved peace. And no nation on earth has taken better advantage of peace--uncertain though that condition may be--to build its economy and increase the well-being of its people.

The story of Korea's economic development over the past two decades is a familiar one--if also one that nearly defies comprehension. Without significant natural resources, highly vulnerable to world economic conditions, the Korean economy nonetheless grew at an average annual rate, discounted for inflation, of over eight percent between 1961 and 198<sup>3</sup>/<sub>7</sub>. (The 1983 figure, as I noted earlier, was nine percent, with virtually no inflation.) In those twenty years Korea evolved from an aid recipient--on a massive scale--to one of the world's important industrial and trading powers. Its per capita income grew from some \$80 to \$1800. Korea today is approximately the 25th largest economy in the world, at or near top rank as a manufacturer of such <sup>diverse</sup> products as shoes, textiles, ships and steel. As Korea's industrial capacity has grown, so

has our bilateral trade--from some \$300 million twenty years ago to more than \$12 billion in 1983. Our ninth largest trading <sup>a</sup>prtner, Korea <sup>also</sup> ranks <sup>ninth</sup> sixth as a market for US exports, and in the top three or four as a purchaser of US agricultural products. ✓

This large and growing economic interaction with Korea tends to inspire varied reactions among Americans. It is a source of pride among that relatively small cadre who worked for AID in the early stages of Korean development, and for whom Korea represents an unparalleled success whose lessons they have tried, with mixed results, to apply elsewhere. For many businessmen it represents present or potential opportunities for trade and investment. However, for others, seeking to participate in or compete with the Korean economy today, worry and occasional indignation are more commonly felt sentiments. I would like to spend a few minutes examining those reactions to the Korean success story.

Why a source of worry? Satchel Paige, I believe, said that you should never look back because something might be gaining on you. Korea certainly has been gaining over the past two decades, and with its disciplined and well-educated work force, growing industrial base and a proven track record, increasing numbers of US industries may soon feel the hot breath of a Korean competitor. Where is Korean industry heading and how fast? And what will it mean for the interests of US business?

I don't pretend to have good answers to these questions. The only thing that one can say without fear of contradiction is that Korea--<sup>like</sup> and the small group of "newly industrialized countries" which it epitomizes--is an important new actor on the international economic scene. As such, it presents ~~challenges~~, <sup>not only</sup> and opportunities <sup>but challenges</sup> for American business. It is uncomfortable to contemplate the <sup>industrial</sup> adjustments the United States <sup>already</sup> has had to make ~~in its industrial structure~~ in the face of international competition, and <sup>many more</sup> ~~those that~~ lie ahead. But it is even more uncomfortable to contemplate the depths to which a protectionist turn and a failure to make those necessary adjustments could take us.

That thought leads me to Korea as a source of indignation for Americans. Korea is a low-wage country, we are told, and thus has an unfair advantage in international markets. Korea is concentrating massive resources in selected industries and targetting potentially vulnerable foreign competitors for extinction. Korea trades unfairly, restricting imports and providing massive subsidies for export industries. In short, the argument proceeds, Korea is not playing by the rules of the game.


There is a blend of truth, fiction and misperception in this theme. Korea is indeed a relatively low-wage country, but it is hard to argue that low wages are an unfair advantage in competition unless one holds that being relatively poor is



unfair to the rich. Neither is it realistic to suppose that Korea's export successes are always due solely to low-cost labor. In the controversial area of steel production, for example, Korean wages are less than an eighth of the prevailing US level--but Korea also produces more than seven times the steel per production worker than the US. In this case, the Korean investment in modern plant and equipment, not low wages, is the key factor--just as has so often been true in Japan.

Industrial "targetting" is another inflammatory concept. It is true that the Korean Government fosters industries it considers "comers," <sup>but that</sup> a strategy ~~that~~ has brought only mixed success. Indeed, one of the major causes of the severe 1980 recession in Korea was the massive government-induced over-investment in heavy and chemical industries in the middle and late 1970's. This misstep left Korea with excess capacity in machinery, petrochemicals and other heavy industries which has posed a continuing financial burden on many Korean firms. Industrial policy in concept and implementation probably has more pitfalls than promise--a conclusion I expect the ROKG will reach eventually. A related issue, export subsidies, proves to be as much illusion as fact in Korea today. The export promotion device most often cited as unfair--short-term export financing at subsidized rates--has been eliminated by the Korean Government. While some other subsidies do arguably exist in Korea, the record on unfair trade investigations of

Korean exports by U.S. Government agencies is quite mixed. We have mechanisms to counter unfair trade practices and we will not hesitate to use them--but we should not let them be perverted into mechanisms for restricting fair trade as well.

We lose no opportunities--including Presidential visits--to emphasize to the Korean government our belief that Korea, as a major beneficiary of and participant in the international free trade system, has a commensurate responsibility to defend that system. In our view, Korea's task should be to pare away barriers blocking access to its domestic market, even though this can be politically and bureaucratically difficult, and to establish predictable and equitable conditions for foreign investors. The economic leadership of Korea recognizes the need to open its market further, and to reduce direct government intervention in the economy. There has been progress, and I believe there will be more as the Korean economy continues its transition toward full  development--indeed, without further liberalization that transition will not succeed, and Korean economic planners know this. We of course have a parallel obligation, to maintain the openness of our own economy, in the face of considerable protectionist pressure in this country. If we are unable to do so, I believe prospects for the reduction of trade barriers in Korea--and in ~~absolutely~~ every other country to which we sell--will decline dramatically.



If there is a direct and almost tangible linkage between security and economic progress, the connection between those and a third of the themes I outlined--what is sometimes called "democratization"--is perhaps less obvious. It does, however, exist.

In his speech to the Korean National Assembly, the President underscored our belief that democratic political systems are a source of fundamental national strength, and stressed our support for progress toward more complete democracy in Korea. The President noted that the building in which he was speaking was within range of North Korean artillery positions, a stark reminder of the threat which the ROK faces daily--and of the security context within which Korea's political evolution must go forward. The President was stating what to me seems an obvious fact: that a political system which inspires broad popular support and participation contributes in a very real sense to national security, and that, conversely, threats to national security inevitably retard progress toward democracy. Korea's economic growth, and the increasing, indeed dramatic, modernization and complexity of its society are also an important factor in its political equation. As relative prosperity becomes an accepted fact of life, which it has in Korea, people turn their attention to other matters, including importantly the degree to which they are able to participate in and effect their governance. Thus,



Korea's political evolution must go forward, and I believe it will. Steps already taken by the government, and others contemplated for the future, suggest to me a recognition that further liberalization has become an essential feature of Korea's political landscape. President Reagan made clear in both his public and private statements during his visit that such efforts would have our full support.

But we are mindful as well of the complex and difficult nature of the process of political change in a country of Confucian values, without a democratic tradition, and "under the gun" in a literal sense every day. (One might also add, without attempting to justify or defend the present state of political development in the South, that its neighbor to the North--the regime with its finger on the trigger--is in a class by itself, for which humanity can be thankful. As the Western world contemplates George Orwell's 1984, North Korea continues to refine what is surely the only authentic Orwellian, or even post-Orwellian system, known to mankind. That fact does not make democratic development any less an imperative for the ROK, but it lends perspective.) I think we should be modest about our ability to assess Korea's political evolution, much less to prescribe for Korea specific steps forward. Some Americans--and some American editorial writers--would have us do just that. In commenting on the President's trip, the Washington Post, for example, found it inexplicable that we

should accept and express support for President Chun's pledge to step down from the Presidency when his term ends in 1988 and hand over power to a successor in what would be modern Korea's first constitutional transition. The Post apparently would prefer that we somehow intervene to bring about an earlier--extra-constitutional--transfer of power. I can assure you that we have no intention of doing so--and indeed we could not if we tried. We will continue to make known our support for the efforts of the Korean government and people to move toward democracy. We will make private representations to the government from time to time, and we undoubtedly will continue to speak frequently with its opposition as well. But we will try to avoid moralizing to either side--or exaggerating either to them or to interested Americans the degree of our influence. For in fact it is extremely limited.

The fourth theme which I noted earlier, and which the President also addressed during his visit was the need to reduce tensions between North and South, to move from a condition of confrontation and suspicion to one of dialogue. The President set forth what has long been, and remains today, the essence of our position--that the problems of a divided Korea must be addressed by the two Korean states, and that a dialogue between them is therefore required. The obstacle to dialogue, for these thirty years and more since an armistice was signed in Korea, has been North Korea's refusal to



recognize the legitimacy of the Republic of Korea and to deal with its government. It has spurned numerous offers from Seoul over the years for direct, unconditional talks between North and South. Instead, too often North Korea has made known through deeds as well as words its contempt for the Republic of Korea and its willingness to employ any means, including military force, to achieve reunification solely on its own terms. The Rangoon attack was only the latest in a series of attempts mounted by Pyongyang on the lives of South Korean leaders. Its record has bred deep skepticism in the South toward Pyongyang's proposals for "solutions"--proposals which have customarily called for the withdrawal of US forces and a change of government in the South as preconditions to dialogue. We share the skepticism of our Korean allies.

We recently have had from the North yet another proposal. This time, the North seems to be expressing a willingness to talk not just with the United States, but with the government of the Republic of Korea. The proposal, as with most statements from the North, was complex and convoluted. We and the ROKG are analyzing it carefully. Both we and the ROKG have made known our preference for a four-party format, in which China would join ourselves and the two Koreas at a conference table. We believe that China could make a constructive contribution to this process and that--in view of its alliance with the North, its participation in the Korean war, and its



role in subsequent armistice arrangements--China shares with us a responsibility to participate in any multilateral discussions of the Korean question.

At the same time, we will continue our efforts through the Military Armistice Commission to develop concrete measures for reducing the risk of miscalculation and war along the Demilitarized Zone. We have in the past proposed mutual notification of military exercises for example, and mutual observance of such exercises--confidence building measures long since adopted in Europe by NATO and the Warsaw Pact. There is no need to delay a discussion of such measures: the MAC forum is in place, and proposals are already on the table.

We will also continue to support the numerous proposals put forward by the ROKG to reduce gradually the pain which the division of the Korean peninsula causes to its people, North and South. Proposals for family visitation--which could ease the burden of the more than ten million Koreans who are members of divided families--exchanges of mail, and other entirely non-political measures could go far to reduce the stark isolation of the two Koreas from each other, and prepare the way for discussion of the inevitably more complicated and difficult question of political reunification.

As we consider how to proceed in this area, we must be mindful of this personal dimension of the "Korean question". For the world at large, Korea may seem a cold-war anachronism,

one of those international problems to be managed but never solved, or perhaps an interesting intellectual problem in diplomacy. But for the people who live there, the harsh confrontation between the two Korean states is a continuing tragedy. It distorts their political life, it absorbs massive resources that could otherwise be devoted to productive economic activity, and it instills a pervasive fear and suspicion. We should be equally mindful, however, that a problem so intractable and so old is unlikely to lend itself to quick or easy solution. We do not intend, therefore, to move with haste, or in ways that could undermine our alliance and the effectiveness of our deterrence. To do so could be to risk an even greater tragedy, the subjugation of a free people.

The problems of security, peace and development which the Republic of Korea must confront, and which are a part of the life and outlook of its people, sometimes seems daunting. I would nevertheless contend--and I submit that Korean history demonstrates--that the resilience, determination and strength of its people will enable them to cope with those challenges successfully--and to do more than cope, to overcome. Korea's prospects are, indeed, auspicious.

As a friend and ally of the Republic of Korea, the United States can take a measure of pride in its achievements, and satisfaction in the benefits those achievements have brought to us. Korea's military strength--buttressed by a commitment to

defense and a willingness unsurpassed by any of our other allies to accept the economic costs required to build and maintain an adequate defense--serves our interest in the maintenance of peace and stability in Northeast Asia just as it serves Korea's own need for security. Its economic development has transformed Korea from an aid recipient to a major industrial power and one of our largest trading partners. It has become an increasingly active participant in international diplomacy, and more often than not its positions on issues far removed from Korea are similar to our own--because its interests, in an open international economic system and a stable and non-violent political order, also coincide fundamentally with ours. The Korea of today is strikingly different from the one of thirty, ten or even five years ago, and the transformation has been as positive as it has been dramatic. And as Korea has changed, so has the US-Korean relationship. These facts are, I believe, still inadequately known to the American people. Perhaps it will take the Seoul Olympics of 1988 to bring home to Americans at large the nature of Korea today, and of our ties with that country. In the meantime, it will fall to us--in government and in groups such as this one--to pay heed to what is happening in Korea, to understand what developments there mean now and can mean in the future for our interests, and to spread the word.



Korea (south) 1984/1

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THIS FORM MARKS THE FILE LOCATION OF ITEM NUMBER 9-10 LISTED ON THE  
WITHDRAWAL SHEET AT THE FRONT OF THIS FOLDER.

MEMORANDUM

## NATIONAL SECURITY COUNCIL

February 6, 1984

ACTION

MEMORANDUM FOR ROBERT M. KIMMITT

FROM: GASTON J. SIGUR *Gast*

SUBJECT: First Lady's Response to Korean School-  
girls' Letter

Attached is an English summation of a letter from Korean schoolgirls to Mrs. Reagan and a reply drafted by State for the First Lady's signature.

RECOMMENDATION:

That you forward both the English summation and the reply to Jim Rosebush for the First Lady's signature.

Approve \_\_\_\_\_ Disapprove \_\_\_\_\_

## Attachments:

Tab I Kimmitt memo to Rosebush  
Tab A 1st Lady's reply  
Tab B Incoming

MEMORANDUM

## NATIONAL SECURITY COUNCIL

MEMORANDUM FOR JAMES ROSEBUSH

FROM: ROBERT M. KIMMITT

SUBJECT: First Lady's Response to Korean Schoolgirls'  
Letter

Attached is our English summation of a letter from Korean schoolgirls to Mrs. Reagan and a reply drafted by State for the First Lady's signature.

## Attachments:

Tab A 1st Lady's draft reply  
Tab B Incoming



DEPARTMENT OF STATE  
DIVISION OF LANGUAGE SERVICES

LS No. \_\_\_\_\_

TRANSLATOR'S SUMMARY OF COMMUNICATION

Language: Korean  
Date of Communication: November 15, 1983  
Addressed to: Mrs. Reagan  
Name and address of writer: see below

Substance of writer's statement:

The writers are three 13-year-old Korean schoolgirls living on the island of Cheju. They express their admiration for Mrs. Reagan and state that they wish to emulate her. They thank the President and Mrs. Reagan for visiting their country. Some day they wish to visit the United States and perhaps attend an American college and become acquainted with the American way of life. They hope that Mrs. Reagan will write to them. Their names and addresses are:

Lee Hyun-eel, 1786-24 2-do 1-dong, Cheju City  
Kim Yun Yong, 860-14 2-do 2-dong, Cheju City  
Koh Eun Yong, 1247-3 2-do 1-dong, Cheju City

SUGGESTED REPLY

Dear Miss Lee/Kim/Koh:

Thank you very much for your letter and good wishes. Your beautiful and brave country impressed me deeply during my brief visit in November.

Your island of Cheju is famous for its women: strong, diligent, and tenacious in overcoming adversity. My wish for you, as you grow into adulthood, is that you will in your own life continue this proud heritage.

Sincerely,

Nancy Reagan

See attachment for  
list of Addressees.

KOREA

~~FOR OFFICIAL USE ONLY~~

Honorable George P. Shultz  
Secretary of State  
Washington, D. C. 20520

Attention: Office of Aviation

Dear Mr. Secretary:

On February 9, 1984, at its closed meeting, the Board discussed the attached draft telegram, which was forwarded to us by the Office of Aviation for CAB clearance.

The draft telegram sets forth a United States Government position with respect to a longstanding issue with Korea involving the construction of an additional cargo facility for use by U.S. airlines at Kimpo International Airport.

The Board has decided that it cannot clear the draft cable.

As the draft telegram states, before the 1978 Memorandum of Understanding (MOU) entered into force, on March 22, 1979, an interim agreement was reached with Korea on the self-handling issue. The agreement was that within two years from the date of ratification of the MOU, an additional cargo facility would be built which would enable U.S. airlines to perform their own ground handling at Kimpo. Pending completion of the additional facility, U.S. carriers would be permitted to self-handle only outbound cargo (Korean export traffic).

To our knowledge the United States has never agreed to an extension of this two-year deferral of full self-handling privileges at Kimpo.

Consequently, since March 22, 1981, when the cargo facility was to have been completed, Korea has continued to enjoy benefits it received in 1979, specifically traffic rights to New York, even though Korea has not fulfilled its commitment to implement full self-handling opportunities for U.S. airlines.

Further, in our view, the value of the route rights Korea would obtain upon the completion of the facility far outweighs the potential value a new cargo facility would represent for U.S. carriers.

The MOU signed in April 1980 did not release Korea from its obligations under the 1979 agreement. It provided Korea with the opportunity to obtain additional traffic rights from the United States upon completion and operation of the facility.

~~FOR OFFICIAL USE ONLY~~



Honorable George P. Shultz (2)

Korea has been granted more than an ample opportunity to satisfy the terms of the 1979 and 1980 MOU's.

In our view, insofar as the 1980 MOU is concerned, the United States is no longer bound to the terms of that ad referendum agreement.

In our judgment, the 1980 agreement represents a poor exchange on aviation grounds and would be contrary to U.S. interests.

In addition, we see no compelling legal requirement to move forward with it.

Sincerely,

Dan McKinnon

Member Morales filed the attached concurring and dissenting statement.

cc: Matthew V. Scocozza  
Assistant Secretary for Policy  
and International Affairs  
Department of Transportation

Ms. Donna Tuttle  
Acting Under Secretary for  
Travel and Tourism  
Department of Commerce

bcc: Mr. Franklin K. Willis  
Deputy Assistant Secretary  
for Transportation and Telecommunications  
Department of State

Mr. Thomas C. Colwell  
Director, Office of Aviation  
Department of State

Mr. Larry Williamson  
Chief, Aviation Negotiations Division  
Office of Aviation  
Department of State

ERWilbur:asm:B-56 2-10-84

cc: B-1(2), Members, B-11, B-25(2), B-55; B-56(2)  
Case Memorandum 2223, approved by Board on 2-10-84

MORALES, MEMBER: CONCURRING AND DISSENTING

I understand representations have been made by US Government officials in recent months assuring Korea that the United States remains prepared to go forward with the 1980 MOU if Korea makes a written commitment to build the cargo facility. While the 1980 MOU may not represent a good exchange on aviation grounds, the repercussions to U.S.-Korea political relations may not justify a refusal to go forward with the 1980 MOU at this juncture.

/s/ DIANE K. MORALES

DRAFT TELEGRAM

TO: SEOUL

SUBJECT: KAL INTEREST IN BUILDING CARGO TERMINAL

REF: SEOUL 423

1. REFTEL STIMULATED MUCH DISCUSSION AMONG WASHINGTON AGENCIES CONCERNING ISSUE OF CARGO TERMINAL. KAL'S WASHINGTON COUNSEL HAS RECENTLY APPROACHED VARIOUS USG AVIATION OFFICIALS HERE SEEKING SIMILAR ASSURANCES TO THOSE REPORTED IN REFTEL, I.E., A GUARANTEE THAT IF KAL CONSTRUCTS THE FACILITY USG WILL GRANT KAL OAKLAND/CHICAGO RIGHTS AS SPECIFIED BY 1980 MOU. IN VIEW OF KAL'S APPARENT INTEREST IN MOVING AHEAD, DEPARTMENT AND WASHINGTON AGENCIES HAVE REEXAMINED THE ISSUE. WHAT FOLLOWS IS A FULL REVIEW OF THE SITUATION AND A COORDINATED USG POSITION.

2. BACKGROUND: IN SEPTEMBER 1978 AN MOU WAS SIGNED AD REFERENDUM AMENDING THE U.S.-KOREA AGREEMENT OF 1957. THE MOU, WHICH <sup>DID</sup> ~~WAS NOT RATIFIED~~ <sup>ENTER INTO FORCE</sup> UNTIL MARCH 22, 1979, INCLUDED PROCOMPETITIVE PROVISIONS ON PRICING, GROUND HANDLING, FAIR COMPETITIVE PRACTICES, MULTIPLE DESIGNATION, CHARTERS AND ROUTES. KOREA WAS GRANTED A NEW ROUTE BETWEEN KOREA AND NEW YORK WITH STOPOVER RIGHTS AT ANCHORAGE. U.S. ROUTE RIGHTS WERE NOT APPRECIABLY ENHANCED BY THE 1978 MOU BECAUSE THE 1957 AGREEMENT ALREADY CONTAINED AN OPEN U.S. ROUTE DESCRIPTION. THE PROVISION ON GROUND HANDLING WAS PERHAPS OF MOST VALUE TO U.S. AIRLINES. IT PERMITTED THE DESIGNATED AIRLINES TO PERFORM THEIR OWN GROUND HANDLING IN THE TERRITORY OF THE OTHER PARTY. BUT SOON AFTER THE MOU WAS SIGNED, IT BECAME EVIDENT U.S. CARRIERS WOULD NOT BE ALLOWED TO DO THEIR OWN GROUND HANDLING AT SEOUL BECAUSE OF



PHYSICAL LIMITATIONS OF THE CARGO FACILITY AND KOREAN REGULATIONS AND PROCEDURES. THE UNITED STATES THEREFORE WITHHELD <sup>CONFIRMATION</sup> ~~RATIFYING~~ <sup>OF</sup> THE MOU PENDING A SATISFACTORY RESOLUTION OF THIS ISSUE. AFTER SEVERAL DISCUSSIONS OVER NEARLY SIX MONTHS, IT WAS FINALLY AGREED THAT DESPITE THE GROUND HANDLING PROVISIONS CONTAINED IN THE MOU, U.S. CARRIERS WOULD HAVE THE OPTION TO SELF-HANDLE OUTBOUND CARGO ONLY UNTIL AN ADDITIONAL FACILITY COULD BE BUILT WITH ADEQUATE SPACE TO PERMIT SELF HANDLING OF BOTH INBOUND AND OUTBOUND CARGO. IT WAS AGREED THAT THE ADDITIONAL CARGO FACILITY WOULD BE BUILT AND MADE AVAILABLE TO U.S. AIRLINES NO LATER THAN TWO YEARS FOLLOWING AN EXCHANGE OF NOTES <sup>CONFIRMING</sup> ~~RATIFYING~~ THE MOU. THIS UNDERSTANDING WAS SET FORTH IN A LETTER DATED MARCH 14, 1979, FROM THE U.S. AMBASSADOR TO THE KOREAN MINISTER OF FOREIGN AFFAIRS, WHO CONFIRMED THE UNDERSTANDING IN A MARCH 22, 1979, LETTER IN REPLY TO THE AMBASSADOR. THE MARCH 14 LETTER WAS MADE AN INTEGRAL PART OF THE MOU. THE MOU WAS RATIFIED ON MARCH 22, 1979.

3. IN OCTOBER 1979, NEGOTIATIONS WERE HELD IN SEOUL AT WHICH THE UNITED STATES EXPRESSED CONCERN ABOUT THE LACK OF ANY ACTION TO ENSURE THE EXISTENCE OF APPROPRIATE CARGO TERMINAL SPACE BY MARCH 1981, AS SPECIFIED BY THE MARCH 1979 AGREEMENT. THE KOREANS REPLIED THAT THE U.S. CONCERNS WERE PREMATURE AND THAT THE KOREAN GOVERNMENT WOULD ABIDE BY ITS OBLIGATIONS UNDER THE PRESENT AGREEMENT.

4. AT NEGOTIATIONS HELD IN WASHINGTON IN APRIL 1980, THE UNITED STATES AGAIN EXPRESSED ITS CONCERN ABOUT THE LACK OF PROGRESS ON THE CONSTRUCTION OF THE NEW CARGO FACILITY. THE KOREAN DELEGATION AGREED THAT BY MAY 15, 1980, IT WOULD PRESENT TO

THE U.S. CARRIERS A SPECIFIC PROPOSAL FOR THE CONSTRUCTION OF THE NEW CARGO FACILITY. THE PROPOSAL WAS TO PROVIDE THE OPTION FOR THE U.S. CARRIER OR CARRIERS TO CONSTRUCT THE BUILDING. IF BY JUNE 15, 1980, THE U.S. CARRIERS DID NOT EXERCISE THEIR OPTION TO BUILD THE FACILITY, THEN THE GOVERNMENT OF KOREA WAS TO CONSTRUCT THE FACILITY.

5. THE MOU SIGNED AT THE CONCLUSION OF THE APRIL 1980 NEGOTIATIONS PROVIDED KOREA WITH ADDITIONAL INCENTIVES TO COMPLETE THE NEW CARGO FACILITY AND PERMIT FULL SELF-HANDLING FOR U.S. CARRIERS. THE MOU PROVIDES FOR TRAFFIC RIGHTS AT ANCHORAGE AND AT OAKLAND UPON NOTIFICATION BY KOREA AND CONFIRMATION BY THE UNITED STATES THAT THE TERMINAL IS COMPLETED. RIGHTS AT CHICAGO ON KAL'S NEW YORK ROUTE BECOME EFFECTIVE ONE YEAR AFTER RIGHTS AT OAKLAND BECOME EFFECTIVE. ONE YEAR AFTER CHICAGO RIGHTS TAKE EFFECT, KOREA OBTAINS RIGHTS BEYOND ONE POINT IN THE UNITED STATES TO ONE POINT IN EUROPE, BOTH POINTS TO BE MUTUALLY AGREED UPON.

6. THERE ARE SEVERAL POSSIBLE REASONS WHY THE NEGOTIATIONS BETWEEN TIGERS AND THE KOREANS HAVE NOT SUCCEEDED AND THE TERMINAL HAS NOT BEEN BUILT. ONE IS TIGERS' RELUCTANCE TO REACH ANY AGREEMENT THAT WILL LEAD TO KAL OBTAINING ACCESS TO OAKLAND AND, MORE IMPORTANT, CHICAGO. ANOTHER IS THE ALLEGED INFLEXIBILITY OF THE KOREAN AUTHORITIES CONCERNING VARIOUS TERMS AND CONDITIONS FOR THE CONSTRUCTION OF THE FACILITY. A THIRD REASON IS THE WILLINGNESS OF THE USG TO ALLOW PROLONGED NEGOTIATIONS BETWEEN TIGERS AND THE KOREANS WITHOUT APPLYING ANY REAL PRESSURE ON THE KOREANS TO FULFILL THEIR COMMITMENTS UNDER



THE 1979 AND 1980 AGREEMENTS. SINCE KOREA'S RIGHTS AT OAKLAND AND CHICAGO ARE TIED TO THE ACTUAL CONSTRUCTION OF THE TERMINAL, WE, LIKE TIGERS, HAVE NOT BEEN STRONGLY MOTIVATED TO REACH AN AGREEMENT. ~~BY ANY MEANS, WHATEVER THE REASONS MAY BE FOR THE LACK OF AGREEMENT ON THIS ISSUE,~~ THE SITUATION IS THAT AFTER NEARLY FIVE YEARS SINCE THE 1979 AGREEMENT, CONSTRUCTION HAS NOT BEGUN ON THE FACILITY AND U.S. CARRIERS ARE STILL NOT ABLE TO HANDLE THEIR OWN IN-BOUND CARGO AT KIMPO.

7. ON PURELY COMMERCIAL AVIATION GROUNDS, IT WOULD BE DIFFICULT TO DEFEND THE 1980 MOU FROM THE PERSPECTIVE OF THE CURRENT U.S. INTERNATIONAL AVIATION SITUATION. WHILE A NEW FACILITY WOULD BENEFIT U.S. AIRLINES, THE ROUTE RIGHTS OFFERED TO KOREA IN THIS INSTANCE, I.E., NEW YORK (ALREADY BEING SERVED), ANCHORAGE, OAKLAND, CHICAGO, AND THE BEYOND RIGHT, APPEAR DISPROPORTIONATE IN TERMS OF ECONOMIC VALUE TO THE BENEFITS U.S. CARRIERS ARE LIKELY TO DERIVE FROM THE CARGO FACILITY AND FROM THE REMOVAL OF LIMITATIONS ON BEYOND RIGHTS. DURING THE INTER<sup>A</sup>GENCY DISCUSSIONS ON THE CARGO TERMINAL ISSUE, THE CAB RAISED THE POSSIBILITY OF SIMPLY TELLING THE KOREANS THAT THE UNITED STATES NO LONGER VIEWED THE 1980 AGREEMENT TO BE IN THE COMMERCIAL INTEREST OF THE U.S. AND THEREFORE THE U.S. WAS NOT PREPARED TO MOVE FORWARD WITH IT. IT WAS CONCLUDED THAT THE U.S. COULD NOT NOW WALK AWAY FROM THE 1980 UNDERSTANDING AS THIS WOULD BE INCONSISTENT WITH PAST APPROACHES AND REPRESENTATIONS MADE TO THE KOREANS. WHEN THE PRESIDENT VISITED KOREA LAST OCTOBER, THE KOREANS WERE ASSURED THAT IF THEY GAVE A FIRM WRITTEN COMMITMENT TO BUILD THE TERMINAL AS SPECIFIED BY THE MOU, WE WOULD RATIFY THE AGREEMENT AND ABIDE BY ITS TERMS.



ACTION REQUESTED: ~~WE FEEL THE TIME HAS COME FOR THE USG TO TAKE A MORE ACTIVE ROLE IN SEEKING TO RESOLVE THIS ISSUE.~~

EMBASSY SHOULD MEET WITH APPROPRIATE KOREAN OFFICIALS AND MAKE THE FOLLOWING POINTS:

- a) WASHINGTON AGENCIES HAVE REEXAMINED CARGO TERMINAL ISSUE IN LIGHT OF KAL'S APPARENT INTEREST IN CONSTRUCTING THE TERMINAL.
- b) THE TWO YEAR DEFERRAL PERIOD THE UNITED STATES ACCEPTED IN 1979 ON FULL SELF-HANDLING PRIVILEGES AT KIMPO HAS LONG SINCE PASSED WHILE KAL HAS CONTINUED TO ENJOY TRAFFIC RIGHTS AT NEW YORK.
- c) WE LOOK FORWARD TO RECEIVING A PROPOSAL FROM THE KOREAN SIDE WHICH MEETS THE TERMS OF THE 1979 AND 1980 AGREEMENTS. THE MOU IS A GOVERNMENT-TO-GOVERNMENT AGREEMENT. IT CONVEYS RIGHTS AND OBLIGATIONS ON EACH PARTY. THOSE OBLIGATIONS ARE NOT CHANGED BY WHATEVER CONSULTATIONS KOREA MAY HAVE WITH U.S. CARRIERS ABOUT THE FACILITY. WE SEE NO NEED, THEREFORE, FOR FURTHER FORMAL INVOLVEMENT BY FLYING TIGERS CONCERNING ITS EARLIER PROPOSAL TO CONSTRUCT A CARGO TERMINAL.
- d) WERE IT NOT FOR THE COOPERATIVE AND FRIENDLY RELATIONS BETWEEN THE UNITED STATES AND KOREA, THE UNITED STATES WOULD PROBABLY SEEK A RENEGOTIATION OF THE 1980 MOU TO RECTIFY WHAT IS NOW PERCEIVED TO BE A RATHER LOPSIDED EXCHANGE. HOWEVER, THE UNITED STATES <sup>REMAINS BOUND</sup> ~~CANNOT ACCEPT THE~~ ~~BY THE TERMS OF THE AGREEMENT IT NEGOTIATED~~ ~~PRESENT SITUATION INDEFINITELY SINCE U.S. CARRIERS ARE~~ ~~BEING DENIED RIGHTS THAT WERE BARGAINED FOR IN GOOD FAITH. CONSEQUENTLY, IF BY MAY 1, 1984, KOREA~~

e) Once the Government of Korea notifies the USG that the cargo terminal has been constructed and the US Ambassador in Seoul has <sup>confirms that</sup> inspected the facility and agreed ~~that~~ it meets all of the agreed-upon specifications, the US is prepared to <sup>implement</sup> ~~go forward~~ with the 1980 agreement. It is understood that coincident with the completion of construction <sup>of the cargo facility</sup> the Government of Korea would allow all US carriers operating to and from Korea to self-handle air cargo if they so desired.

9. Begin FYI: The above position represents a majority view within the USG aviation community, but there were dissenters on ~~both~~ economic, legal and policy grounds. There is skepticism as to whether the Koreans will ever build the cargo facility. At your discretion you may ~~make the point that~~ want to stress talking point d) above. End FYI.

10. THE 1980 AGREEMENT GRANTS KOREA TRAFFIC RIGHTS AT ANCHORAGE WHEN KOREA ADVISES THE UNITED STATES THAT THE LIMITATIONS ON THE EXERCISE OF BEYOND RIGHTS CONTAINED IN A MARCH 2, 1971 EXCHANGE OF LETTERS IS ELIMINATED. KOREA OFFERED TO EXCHANGE NOTES WITH THE UNITED STATES IN JUNE 1980 TO ELIMINATE THE ABOVE LIMITATION ON BEYOND RIGHTS BUT THE UNITED STATES WAS NOT PREPARED TO GO FORWARD WITH THE EXCHANGE OR TO RATIFY THE MOU AT THAT TIME. WE WOULD GO FORWARD WITH THEIR PROPOSED EXCHANGE OF NOTES IF THE MOU IS RATIFIED.



see p. 31, 32 + 34

## [EXCHANGE OF LETTERS]

Seoul, Korea

March 14, 1979

Dear Mr. Minister:

The following letter shall be considered an integral part of the Memorandum of Understanding between our two governments signed on September 22, 1978, in Washington, D.C.

Recent discussions have taken place between representatives of the Government of the Republic of Korea and the United States concerning the interpretation of Section 3 of the Memorandum of Understanding of September 22, 1978, that will amend and supplement the US-Korea Air Transport Agreement of 1957, as amended.

Section 3 of this Memorandum allows airlines to perform their own ground handling of passengers and cargo in the territory of the other party. It is understood that the provisions of Section 3 of this Memorandum are fully reciprocal.

The United States Government recognizes that self-handling of both inbound and outbound cargo may not be immediately possible at the newly constructed common cargo terminal at Kimpo International Airport. While Section 3 of the MOU allows airlines to perform full self-handling, nonetheless, the United States Government is prepared on an interim two-year basis to accept a situation whereby US airlines will have the option of complete self-handling only of outbound cargo (Korean export traffic) at the new cargo terminal at Kimpo.

His Excellency  
Tong Jin Park  
Minister of Foreign Affairs  
Seoul



The United States Government further understands that the Government of the Republic of Korea undertakes to construct, or to allow an airline or airlines to construct an additional cargo facility at Kimpo with space adequate for existing and projected needs, so that US airlines will be able, at their option, to self-handle cargo, both inbound and outbound. It further understands that this additional cargo facility shall be available no later than two years from the date of the exchange of notes implementing the amendment of the air transport agreement.

For general purposes of clarification, the United States Government defines cargo self-handling as the ability to handle and process all the import and export traffic and paperwork, and deal directly and freely with all customers and government agencies, including customs. For specific operations at Kimpo International Airport, the United States Government further understands that at the newly constructed common terminal, self-handling, for those airlines which choose to self-handle, will include but will not be limited to the following conditions:

--All ramp handling activities shall be under the control of the airline. This includes control of the physical movement of all traffic that either arrives or departs on US airlines, and control of all equipment that is necessary to perform this function.

--Export space will be allocated to all presently designated airlines in the newly constructed cargo terminal in proportion to the percentage of export cargo which they handled in the previous year. (Recognizing that Northwest Airlines was on strike for three and one half months of 1978, appropriate adjustments will be made in its allocation of export space so that its proportion of the allocated space will more closely reflect its historical share of the export market.) Appropriate adjustments will be made for airlines to be designated in the future. Allocation of space for complete self-handling in the additional cargo facility to be completed within two years will be on the basis of the needs and desires of the airlines.



--Within the export space allotted to each operating airline within the cargo terminal, each airline will be allowed to utilize its own personnel and equipment. Airlines may undertake sorting, palletizing, storing, and staging within their own areas. There will be a common area at the truck side of the terminal where customs and security clearance operations will be performed. If the airlines desire to interface with customs and security personnel, they shall be allowed to handle all assigned cargo from the truck docking area to the air ramp docking area in the export side of the terminal. That portion of the common area in front of the airline areas shall be considered as the airlines own area and shall not be considered common area. This interface with customs inspection personnel shall be performed in the assigned airline areas by having customs personnel perform their functions in the allocated airline areas.

--Rental fees charged the airlines shall be consistent with the scale of rental fees in the rest of the cargo facility. As for other fees, airlines will be charged only for those services they actually use, and those fees shall be charged consistent with the provisions of Article 7(A) of the US-Korean Air Transport Services Agreement of 1957.

--Airlines shall be allowed to install any equipment which they feel is necessary for the safe and efficient operation of the cargo terminal and the ramp, including modification of the truck dock if necessary.

--Airlines shall be allowed to handle all transit cargo in their export area that either arrives or is departing on their aircraft. In addition, export cargo that is received but cannot depart on the same day must be allowed to remain in the airlines' assigned area. If an export customs bond is required for this activity, then the entire area must be bonded.

--With respect to inbound cargo, US airlines may utilize their own personnel and equipment and control the movement of cargo from the aircraft



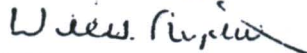
to transfer to the bonded carrier at the air ramp, or to the common breakdown area, or to their own assigned area where the cargo will be transferred either to the government bonded warehouse within the terminal, or to a bonded carrier.

--US airlines will process all documentation with regard to the cargo assigned to them and may not handle or process documentation of other airlines unless that cargo is to depart on US airlines.

It is understood that whatever restrictions are placed upon the self-handling of inbound cargo during this interim two-year period will be removed upon the completion of the additional cargo terminal so that US airlines will be able to have complete self-handling of inbound and outbound cargo in one area in the new building.

I shall be grateful to have your confirmation that the above correctly describes the understanding our two governments have reached on this subject.

Yours sincerely,



William H. Gleysteen, Jr.  
Ambassador



MINISTRY OF FOREIGN AFFAIRS  
REPUBLIC OF KOREA

March 22, 1979

Dear Mr. Ambassador,

With reference to your letter of March 14, 1979 concerning the interpretation of Section 3 of the Memorandum of Understanding of September 22, 1978, that will amend and supplement the Korea-U.S. Air Transport Agreement of 1957, as amended, I am pleased to confirm that the understanding as set out in the said letter is also the understanding of the Government of the Republic of Korea with regard to cargo self-handling.

Yours sincerely



Minister of Foreign Affairs

His Excellency  
William H. Gleysteen Jr.  
Ambassador Extraordinary and Plenipotentiary  
of the United States of America  
Seoul

See p. 445

MEMORANDUM OF UNDERSTANDING

1. Delegations representing the Governments of the Republic of Korea and the United States of America met in Washington, D.C. April 8-12, 1980, at the request of the Government of the Republic of Korea to discuss air transport relations between the two countries. During the discussions, the delegations reached the agreements contained herein, with which both delegations expressed their complete satisfaction. Delegation lists are attached as Annexes 1 and 2.

*JK*

2. During the consultations, views were exchanged on the following items:

A. Implementation of the current Air Transport Services Agreement, as amended, particularly as regards cargo handling, customs and immigration operations, and market access.

B. Airport conditions.

C. Fuel supplies.

D. Storage facilities and procedures.

E. Route schedules.

3. The Korean Delegation expressed its dissatisfaction with the route schedule contained in the existing Agreement. It reaffirmed its desire for an expansion of the route schedule so that it could offer service to additional points in the United States and to initiate service beyond the United States. The delegations agreed to augment the Korean route schedule by adding full traffic rights to/from Anchorage,

*kl*



Oakland and Chicago; as well as beyond rights from/to one United States point to/from one point in Europe, both to be mutually agreed upon. These rights will become available during the period 1980-1983, under the conditions specified below. The revised route description is contained in Annex 3 of this Memorandum.

4. The Korean delegation noted the delays which its designated airline has encountered at Anchorage because of immigration procedures. It requested that the United States authorities permit the immigration procedures to take place at New York rather than Anchorage. It promised to provide a statement which will detail the delays it has experienced at Anchorage because of immigration requirements and will explain the justification for permitting these procedures to occur at New York. The United States delegation agreed to consider such a detailed statement and to discuss the problem with the United States immigration authorities.

JK

5. The Korean delegation expressed considerable concern about operating conditions at the Los Angeles airport, particularly as regards fuel availability, counter space, baggage handling and passenger access to the terminal. It stated that these conditions, and particularly its impending transfer to a temporary terminal, would seriously impede its operations. The United States delegation stated that it had, this week, been informed by officials of the United States Department of Energy and the Los Angeles



airport that ample fuel supplies are available. It agreed, however, that it would intervene with the appropriate authorities about this matter should a fuel shortage occur. It noted also its intent to study the other difficulties which the Korean delegation raised.


6. The Korean delegation described several operational difficulties at the New York airport, citing particularly the fuel situation and the apparent unavailability of a company that would be willing to provide continuing service for the Korean carrier's cargo. The United States delegation expressed its intention to discuss these issues with the New York airport authorities in order to obtain a solution to these problems.

7. The Korean delegation presented the following proposal concerning surface transportation for consideration by the United States delegation:

"The Korean delegation believes that designated airlines of both countries would have greater operating flexibility and could much better serve the public if they are allowed to directly arrange with surface transportation companies to carry cargo (and passengers) from any point within a country to the gateway or gateways served by the particular airline within that country. This arrangement would allow more efficient operation and improved quality of service."

The United States delegation noted that this issue is a very complicated question, but agreed to study the Korean proposal and to provide a response at a later date.

8. The Delegation of the United States expressed its concern about the progress in the construction of the new cargo facility specified in the March 1979 exchange of diplomatic notes. The Korean delegation agreed that by May 15, 1980, the Korean authorities will present to the U.S. air carriers a specific proposal for the construction of the new cargo facility for the exclusive use of U.S. carriers. This proposal will provide the option for the U.S. air carrier or carriers to construct the building. If by June 15, 1980, the U.S. air carriers do not exercise this option to construct the facility on the terms specified, then the Government of the Republic of Korea will construct the facility. Consultations will be held among all interested parties during the design and construction of the facility. This facility will be as large as space permits; it will be no less than 2,688 square meters; it will be an addition to the existing structure with access, if structurally possible, to the space presently allocated to the U.S. air carriers. Those U.S. air carriers which elect to self-handle will have sole use of the new facility and all allocated space in use by them when the new facility opens. Any U.S. air carrier which does not elect to self-handle may choose to utilize the service of an agent.



9. The United States delegation expressed its concern about construction necessary for the U.S. carriers to



self-handle their transit cargo, as well as to self-handle their in-bound cargo from the aircraft to the customs area. The Korean delegation assured the U.S. delegation that all necessary steps have been taken to initiate construction and that it will be completed no later than June 30, 1980. At that time, the U.S. carriers will be permitted to self-handle in-bound cargo from their aircraft to the customs area and to self-handle their transit cargo.

10. The United States delegation noted that one of its designated airlines has experienced difficulty importing equipment into Korea without paying customs duties. To ensure that the provisions of Article 7 of the 1957 Agreement, as amended, are being fully implemented, the Korean delegation promised to look into the matter and to communicate its findings through diplomatic channels.

11. The United States delegation reported that one of its designated carriers has had difficulties remitting its excess currencies from Korea. The Korean delegation agreed to look into the matter to ensure that prompt and effective remittances of excess currencies can be made.

12. The Korean delegation agreed that fuel will be provided on a non-discriminatory basis among the airlines of the United States, whether they are engaged in scheduled or charter transportation with stops in Korea for either traffic or transit services, when fuel is available. The



United States delegation stated that, by law, fuel must be made available in the United States on a non-discriminatory basis, whether the air carrier is providing scheduled or charter transportation.

13. The United States delegation expressed its concern that U.S. carriers apparently will soon lose their present storage facility without a replacement area being available, and that one U.S. carrier confronts delays because it currently submits its stored material to customs <sup>PROCEDURES</sup> because of the present location of its storage area. The Korean delegation expressed its intent that the availability and location of storage areas should not constitute an impediment or obstacle to airline operations and assured that the competent authorities will exercise their utmost efforts to seek a solution to this problem. The Korean delegation noted, meanwhile, that because of the physical conditions obtaining at Kimpo Airport all carriers have been subjected to some constraints in space availability.

14. The United States delegation expressed its serious concern that the Government of Korea has not permitted U.S. carriers to provide each other ground handling services. It noted that the Korean designated carrier faces no such constraint in its current operations within the United States. Moreover, the United States delegation noted that foreign corporations are precluded from acting as air

freight forwarders within Korea. In the spirit of liberalization and in view of the substantial route expansion proposed for ~~the~~ the Korean designated airline(s), the United States delegation urged the Korean delegation to seek a change in the present legal situation. The Korean delegation responded by stating that the laws and regulations in force in the Republic of Korea do not permit the Government of Korea to grant to foreign carriers the right to provide ground handling services for each other. As regards freight forwarding services, the Korean delegation stated that Korean law does not permit foreigners to perform such services in Korea. The Korean delegation expressed its intention to discuss this issue with its competent authorities, taking due note of the U.S. delegation's concern about this matter.

15. The two delegations agreed that before any of the new traffic rights, specified in Annex 3 to this Memorandum, for the Korean designated airlines will be granted:

A. The Government of the Republic of Korea will, by diplomatic note, advise the Government of the United States that:

1. The limitation on the exercise of beyond rights contained in the exchange of letters dated March 26, 1971, is eliminated.



2. The airlines of the United States have the right to make transit stops in Korea, the right of overflight of Korea and the right to carry traffic to/from Korea from/to any point beyond, without geographical limitation. This provision shall not preclude the application of Article 5 of the Air Transport Services Agreement of 1957 (as amended).

*PA*  
B. The Government of the Republic of Korea will, by diplomatic note, advise the Government of the United States that:

*JW*

The new cargo facility having been completed, the airlines of the United States may perform all of their own cargo self-handling services in respect of in-bound, out-bound and transit cargo. The Government of the United States will advise of its confirmation by diplomatic note.

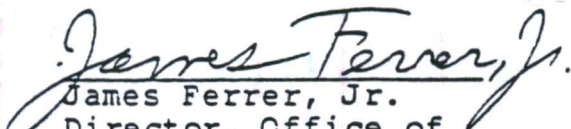
16. The two delegations agreed that the designated airlines may serve points behind any homeland gateway point with or without change of aircraft or flight number and may hold out and advertise such services to the public as through services.


Effectiveness:

The two delegations agreed to recommend to their governments that the agreements recorded in this Memorandum of Understanding, signed ad referendum, be confirmed by an exchange of diplomatic notes, which shall then constitute an amendment to the Air Transport Services Agreement of 1957 (as amended).

For the Delegation of the  
Government of the United  
States of America

For the Delegation of  
the Government of the  
Republic of Korea

  
James Ferrer, Jr.  
Director, Office of  
Aviation  
Department of State

  
Soo Gil Park  
Director-General  
Treaty and Legal  
Affairs Bureau,  
Ministry of Foreign  
Affairs

Washington, D.C.  
April 12, 1980



United States - Korea  
Civil Aviation Negotiations  
Washington, D.C.  
April 8 - 12, 1980

U.S. DELEGATION

Head of Delegation

James Ferrer, Jr.  
Director, Office of Aviation  
Department of State

Members

George A. Dalley  
Member  
Civil Aeronautics Board

Bruce I. Selfon  
Chief  
Air Transportation Programs  
and Review Division -  
Office of Air Transportation  
Department of Transportation

Joseph Hermosillo  
Attorney/Adviser  
Office of the General Counsel  
Department of Transportation

James S. Horneman  
Pacific Desk Officer  
Bureau of International Aviation  
Civil Aeronautics Board

Blaine Porter  
Office of Korean Affairs  
Bureau of East Asian and  
Pacific Affairs  
Department of State

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Air Transport Association

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Al McCauley  
Brotherhood of Railway and Airline Clerks  
AFL-CIO



UNITED STATES - KOREA  
Civil Aviation Negotiations  
Washington, D.C.  
April 8 - 12, 1980

KOREAN DELEGATION

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Director - General  
Treaty and Legal Affairs Bureau  
Ministry of Foreign Affairs

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ROUTE DESCRIPTION

- A. An airline or airlines designated by the Government of the United States of America shall be entitled to operate air services on the route specified, in both directions, and make scheduled landings in the Republic of Korea:

From the United States of America via intermediate points in the Republic of Korea and beyond.

- B. An airline or airlines designated by the Government of the Republic of Korea shall be entitled to operate air services on each of the air routes specified, in both directions, and make scheduled landings in the United States at the points specified in this paragraph:<sup>1</sup>




- (1) From the Republic of Korea via points in Japan to Honolulu and Los Angeles.
- (2) From the Republic of Korea to Anchorage<sup>2</sup>, Chicago<sup>3</sup> and New York.
- (3) From the Republic of Korea to Honolulu, Anchorage<sup>2</sup>, Los Angeles and Oakland<sup>4</sup>.

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(See Annex 3, page 2 for footnotes)

- 2 -

C. Each designated airline may, on any or all international air services, at its option, operate flights in either or both directions, serve points on the routes in any order, and omit stops at any point or points without loss of any right to uplift or discharge traffic otherwise permissible under this Agreement, provided the international air service begins or terminates in the territory of the Party which has designated the airline. There will be no limitation on the type or number of aircraft operated pursuant to this Agreement.



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1 - One year after Chicago rights will become effective, the United States will grant Korea beyond rights: from one point in the United States to one point in Europe. Both of these points will be mutually agreed upon.

2 - Full rights at Anchorage will become effective upon presentation of the diplomatic note referred to in paragraph number 15 (A).

3 - Full rights at Chicago will become effective one year after full rights have become effective at Oakland.

4 - Full rights at Oakland will become effective upon fulfillment of the conditions established in paragraph number 15 of the April 12, 1980 Memorandum of Understanding.