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DLB 10/2/2007

File Folder KOREA (SOUTH) 1985 (08/01/1985-09/24/1985)

FOIA

F95-033-5

Box Number 90947 *RAC Box 10*

KOMISAR, LUCY

7

ID Doc Type	Document Description	No of Pages	Doc Date	Restrictions
43700 MEMO	JOHN MONGO TO MR. ARMACOST, RE: EAP COMMENTS ON S/P'S PAPER ENTITLED "NORTH/SOUTH KOREAN RELATIONS" 0 - 0	1	8/23/1985	B1
43701 MEMO	PETER RODMAN TO MR. MICHAEL ARMACOST, RE: NORTH-SOUTH KOREAN RELATIONS, ANNOTATED 0 - 0	8	8/21/1985	B1
43702 PAPER	BIO 0 - 0	2	4/1/1985	B1
43703 PAPER	BIO 0 - 0	1	8/30/1985	B1
43704 PAPER	BIO 0 - 0	1	8/30/1985	B1
43705 PAPER	BIO 0 - 0	1	8/9/1985	B1
43706 MEMO	ROBERT MCFARLANE TO THE PRESIDENT, RE: YOUR RESPONSE TO TRADE ISSUES TO PRESIDENT CHUN DOO HWAN 0 - 0	1	ND	B1

The above documents were not referred for declassification review at time of processing

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43707 LETTER	REAGAN TO PRESIDENT CHUN 0 - 0	2	ND	B1
43708 LETTER	PRESIDENT CHUN TO REAGAN 0 - 0	2	8/20/1985	B1
43709 REPORT	RE: SOUTH KOREA 0 - 0	4	9/23/1985	B1

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506*1604*INFORMATION

August 14, 1985

MEMORANDUM FOR WILLIAM F. MARTIN

FROM:

GASTON J. SIGUR *Y J*

SUBJECT:

Presidential Meeting With Korean Opposition
Member Kim Young Sam

The State Department concurs with me that the President should not meet with Korean opposition member Kim Young Sam during his September visit to the United States.

RECOMMENDATION

That you sign memorandum to Frederick J. Ryan at Tab I.

Approve _____

Disapprove _____

Attachments:

Tab I Memo to Frederick J. Ryan
Tab II Incoming

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

MEMORANDUM FOR FREDERICK J. RYAN

FROM: WILLIAM F. MARTIN

SUBJECT: Presidential Meeting With Korean Opposition
Member Kim Young Sam

The State Department concurs with us that the President should not meet with Korean opposition member Kim Young Sam during his September visit to the United States.

THE WHITE HOUSE
WASHINGTON

MEMORANDUM

July 23, 1985

TO: WILLIAM MARTIN

FROM: FREDERICK J. RYAN, JR., DIRECTOR
PRESIDENTIAL APPOINTMENTS AND SCHEDULING

SUBJ: REQUEST FOR SCHEDULING RECOMMENDATION

PLEASE PROVIDE YOUR RECOMMENDATION ON THE FOLLOWING
SCHEDULING REQUEST UNDER CONSIDERATION:

EVENT: Meeting with Kim Young Sam

DATE: September 1985

LOCATION: The White House

BACKGROUND: See attached

YOUR RECOMMENDATION:

Accept _____ Regret _____ Surrogate _____ Message _____ Other _____
Priority _____
Routine _____

IF RECOMMENDATION IS TO ACCEPT, PLEASE CITE REASONS:

RESPONSE DUE 7/26/85

TO JEAN APPELBY JACKSON

50: Y D KWUON
1136 NORTH LA BREA AVE
LOS ANGELES CA 90038 12PM

Sept. 1985

Western Union Mailgram®



1-0528618193 07/12/85 ICS IPMRNCZ CSP WH8B
2134623955 MGMS TDRN LOS ANGELES CA 101 07-12 0739P EST

*John - AC
file this?
May*

PRESIDENT RONALD REAGAN
WHITE HOUSE
WASHINGTON DC 20500

*Scheduling
After than Jwrites*

DEAR MR PRESIDENT:

IT WILL BE A GREAT HONOR TO ARRANGE A PRIVATE MEETING BETWEEN YOU AND
~~KIM YOUNG SAM OF KOREA WHILE KIM IS IN THE U.S. THIS SEPTEMBER ON
BEHALF OF KOREANS IN GENERAL AND U.S. INTEREST IN THE FAR EAST AS HE
IS THE MOST INFLUENTIAL NEXT POWER OF KOREA WHICH ALREADY WAS PROVED
THROUGH HIS HUNGER STRIKE AND LAST FEBRUARY TWELFTH GENERAL ELECTION
ALSO HE IS THE MAN FOR DEMOCRATIZATION OF KOREA WITHOUT RETALIATION
TO CURRENT POWER.~~

Y D KWUON
1136 NORTH LA BREA AVE
LOS ANGELES CA 90038

19:40 EST

MGMCOMP

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43700 MEMO

1 8/23/1985 B1

JOHN MONGO TO MR. ARMACOST, RE: EAP
COMMENTS ON S/P'S PAPER ENTITLED
"NORTH/SOUTH KOREAN RELATIONS"

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DEPARTMENT OF STATE

EXECUTIVE SECRETARIAT

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Executive Secretary

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Department of State Guidelines, July 21, 1997

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43701	MEMO PETER RODMAN TO MR. MICHAEL ARMACOST, RE: NORTH-SOUTH KOREAN RELATIONS, ANNOTATED	8	8/21/1985	B1

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Paul D. Wolfowitz

RCM HAS SEEN

Korea

Recent Security Developments in Korea



United States Department of State
Bureau of Public Affairs
Washington, D.C.

Following is an address by Paul D. Wolfowitz, Assistant Secretary for East Asian and Pacific Affairs, before the Council on U.S.-Korean Military and Security Studies, Arlington, Virginia, August 12, 1985.

I am delighted to be able to talk about the subject of Korean security, because, in fact, the U.S. commitment to the security of the Republic of Korea (R.O.K.) lies at the very heart of our bilateral relationship. For 32 years our commitment and the great efforts of our South Korean allies have deterred war. President Reagan recognizes the fundamental nature of the security commitment and reaffirmed it immediately upon his assumption of office. He has emphasized it repeatedly and, most dramatically, when in November 1983, he visited the northernmost outposts of UN forces along the DMZ [demilitarized zone] to offer encouragement to the U.S. and Korean troops there.

Security developments on the Korean Peninsula are of global import since the security interests of the Soviet Union, China, and the United States, as well as Japan, are all affected. An outbreak of conflict there has the potential to ignite a confrontation between the major regional powers. The division of the peninsula and the level of tension between North and South have been among the more intractable problems of this century and, certainly, of the postwar era.

Continuing Concerns About Security

There are two very good reasons for a continuing preoccupation with security—one, I suppose, one could derive from the past and the second that derives from the present.

Let me speak about the past for a moment and the first reason. It was just over 35 years ago that North Korea invaded the South, starting a terrible war that killed tens of thousands of my countrymen and even larger numbers of Koreans. We do not want to fight such a war again, but we know that prevention is the only remedy. The flirtation of the mid-1970s with withdrawal as a way of avoiding problems is something that we have put behind us. We all realize—and certainly history ought to teach those who do not understand it—that a war in Korea is not something the United States can stand away from or stand apart from. Therefore, it is all the more important that we make it clear what our commitment is and that we do everything that we possibly can to deter such a war.

To turn, then, also to the present and the other reason for such a continuing concern about security in the Korean Peninsula, there is the fact that we face in Korea one of the most potentially severe imbalances in military power anywhere in the world. People who talk with concern about it are not being unduly alarmist. It is an extremely serious and potentially unsettling situation.

I think you all are pretty familiar with basic facts, but let me rehearse them for a moment anyway.

The North has about 700,000 men under arms, compared with about 540,000 in the South. But those numbers of men under arms really do not state the balance adequately. It is a good deal more seriously to the disadvantage of ourselves and our South Korean allies. North Korean forces are well-equipped and have a substantial advantage (at least 2 to 1) in several key categories of offensive weaponry, including such critical ones to an offensive as tanks, long-range artillery, and armored personnel carriers. Perhaps even more disturbing, the North has perhaps the world's largest commando force, designed for insertion behind the lines in time of war.

North Korea has more than twice as many combat aircraft than the South, though, of course, that is one of the important categories the South looks to us to make up in time of war. In fact, on that point, I can say that even with the recent introduction of MiG-23s into North Korea by the Soviet Union, combined U.S.-Korean forces will maintain a qualitative edge, particularly as South Korea begins receiving F-16s from the United States next year.

In addition to the size and capabilities of the North Korean Armed Forces, the challenge they pose is compounded by factors of time and distance. The bulk of North Korean forces are deployed well forward, along the DMZ,

and recently North Korea has begun to move even more of its rear echelon troops to hardened bunkers much closer to the DMZ. This makes prediction and warning of an impending attack more difficult, and with Seoul about as close to the DMZ as Washington is to Dulles Airport, an attack from the North could come with very little warning indeed.

We have seen from what North Korea has done in Rangoon what North Korea is capable of. We have continuing evidence, including North Korea's continued refusal to adhere to the Nuclear Non-Proliferation Treaty, of intentions that, at the very least, are deeply disturbing.

South Korean Progress and the U.S. Security Commitment

If I say that we should be preoccupied with the issue of security, and I am frank to admit it, I do not believe that means we are indifferent to other concerns or that we are putting security ahead of the basic interests of the people of Korea, interests that they have in common with us, and really with all people, for a better life and a freer life.

But, in fact, in addition to helping to deter war, American forces in Korea act as a shield, a shield behind which South Koreans have made tremendous economic progress. From a per capita GNP of less than \$90 in 1960 to more than \$2,000 today, the Korean economy has been able to provide an increasingly high standard of living for all Koreans, despite the necessity of devoting roughly 6% of national GNP to defense expenditures.

Today, in 1 year—and this is a success story that I like to tell the Congress about—our exports to Korea exceed the total of U.S. economic assistance to that country during the entire 36-year period that we were giving aid. That is quite a staggering record. It has made Korea now our seventh largest trading partner and a major producer of steel, ships, and electronic goods.

And I suppose on this day, when some of my colleagues are looking at the recommendations of the International Trade Commission, I should add shoes and several other things as well—subjects that, of course, are the sources of problems and frictions between us as well. But those problems—and when they come up, let us remember this fact—those problems are the products of success. It is far, far better to be dealing with difficult issues about shoes and steel than not to be trading at all.

In an area that, to me personally, is even more important, our security commitment to Korea is also a shield behind

which Koreans can achieve a more consensual, a freer, and a more democratic political life. Democracy is itself a vital aspect of security. Indeed, I believe that evolution toward true democracy is not only compatible with security but is essential to its realization. During President Reagan's visit to Korea in 1983, he told the National Assembly and a live Korean television audience: "The development of democratic political institutions is the surest means to build the national consensus that is the foundation of true security."

An essential aspect of democracy is the peaceful transition of power. As President Reagan also stated during that visit to Seoul and again during President Chun's visit to Washington in April, we strongly support President Chun's pledge to achieve a peaceful transfer of power at the end of his term in 1988.

We were also encouraged by political progress made in Korea in 1984 and the first part of this year. Most prisoners in politically related cases were released. A new policy of "campus autonomy" was announced, allowing students greater freedom of expression on campus. The political ban was lifted, and a new, more outspoken political party was formed that contested the National Assembly election in February this year—elections that, without any question, were the freest, most strongly contested in postwar Korean history and that, in many places in Asia, would be a model to be emulated. In that election, this new opposition party, in fact, succeeded in becoming Korea's largest opposition party.

Partly as a consequence of this greater freedom, a strident criticism of existing policies developed. Our efforts, as the U.S. Government, have been to encourage both government and opposition in Korea to engage in dialogue and to act with moderation toward one another, in order to help ensure the internal stability upon which the South's security depends—and, in fact, upon which progress toward democracy depends as well. We are averse to all acts that tend to cut off dialogue or to polarize views. Despite some recent government steps that we feel are somewhat at variance with the real progress that has been made, we remain confident that Koreans and the Korean Government will continue upon the path they have embarked, to the benefit not only of democracy in Korea but, in fact, to the benefit of security on the peninsula and the interests of the United States in the process.

In fact, the concern of this conference, the concern with security, is one

that is enormously aided by the economic and political progress that Korea has made, and it is something that will be enormously aided by the continuation of that progress. The fact is that, today, spending only 6% of its GNP on defense, South Korea is very close to having available the budgetary resources that North Korea—with its extraordinary percentage of GNP devoted to defense—is able to muster. South Korea's GNP has now reached roughly four times that of the North.

That does not mean the millennium has arrived. It does not mean, as I have had to explain, unfortunately, to some congressmen on the Hill, that we can now withdraw troops from Korea because we have reached "budgetary balance" and that is all that matters. It is going to be many years, at best, before the military balance on the peninsula is redressed. And even then, the United States will have a continuing interest not simply in maintaining balance but in maintaining deterrence.

Nevertheless, this economic progress is something that is very heartening and encouraging. It means that—at least in this case and as, I think, is increasingly emerging in quite a few others—history is on our side, not on the side of the Marxist-Leninist regimes that have proven to be such failures. But in order to make history work with us, we have to stay the course. And in my view, for U.S. policy, that means not presuming too much too quickly.

I am confident that the R.O.K. will continue gradually to redress the military imbalance with the North. In the meantime, our commitment to the R.O.K. will continue to help guarantee deterrence. What we would like to see, however, is that this arms competition between North and South might eventually be replaced by peaceful competition, by the exchange of goods and ideas. That day is a long way off still, but it is a day from which the people of both North and South Korea would benefit, and the world itself would be a safer place.

Thus, in recent years we have made, through the UN Command, a number of proposals for confidence-building measures at the Military Armistice Commission at Panmunjom. These include proposals for mutual notification of military exercises, proposals to exchange observers during exercises, and proposals for an increased role for the Neutral Nations Supervisory Committee. We even have a proposal, and I suppose it is only in a context as strained as the one you are all familiar with at the DMZ that you could make such a proposal—we even have proposed

demilitarizing the demilitarized zone.

Unfortunately, North Korea has not responded to these proposals. I would note, however, that just last month North Korea did put forward at the Military Armistice Commission certain proposals concerning new security arrangements for the Joint Security Area. Those proposals are being given careful and serious study by the authorities both here and in South Korea. Meanwhile, our proposals remain on the table, and we continue to await a serious North Korean response.

The U.S. Government has long encouraged direct dialogue between the two parties most concerned here—North and South Korea. We have welcomed the resumption of direct dialogue that began last fall. I believe that even most experts were somewhat surprised at the resumption of the talks, and certainly the multiplicity of talks—on economic matters, family reunification, possible cultural and parliamentary exchanges—is unprecedented. Some people, I think, are unduly tempted to optimism because of this and because of recent domestic and geopolitical developments that have created a situation that is, in many respects, quite different from that of a decade ago.

But all who have followed Korean affairs know that caution in dealing with North Korea is essential. North Korea has used dialogue in the past to create the illusion of reasonableness while plotting acts of the most profound perfidiousness. Our intelligence about that most closed society and its intentions remains limited in the extreme. The challenge, given this history but also given the vital importance of deterring war and reducing tensions in Korea, is to deal cautiously but creatively with the North rather than instinctively. And I might say that I believe South Korea has handled its diplomacy in this very delicate area with a great deal of statesmanship and agility in the last 2 years, all the more so in view of the atrocity in Rangoon that immediately preceded this period.

Recent Changes Affecting Security

It might be useful here to discuss some of the changes both in and outside the Korean Peninsula in the last decade or so that have affected the security situation and that have some bearing on the North-South talks that are now underway.

In recent years the Republic of Korea has truly emerged as a middle power in the region, and its growing confidence is reflected in its increasing international role and stature. At the

same time, I believe that President Reagan's reaffirmation of the U.S. security commitment to Korea and, indeed, of the U.S. role in Asia more broadly, as well as improved Korean ties with Japan, have added to South Korea's confidence in dealing with the North.

Meanwhile, the Soviet Union and China in very different ways have indicated a willingness to deal with South Korea in international contexts. China has allowed South Koreans to participate in international conferences and sports events in China and has itself sent representatives to such events in South Korea. Some limited contact at international events between the Soviet Union and South Korea has begun, after a hiatus following the shoot-down of KAL [Korean Air Lines] 007 in 1983.

We believe that neither China nor the Soviet Union wants to see another outbreak of war in Korea, which could serve as a flashpoint igniting a larger conflict. In the past few years, China, particularly, has shown a new willingness to engage in a serious dialogue with us about the Korean Peninsula and about the need to reduce tensions there. While China still endorses North Korean proposals and positions, we believe that it also encourages Pyongyang to carry on in the dialogue with Seoul and to concentrate on improving its economic performance. Nevertheless, we have to put a qualification on all of this, if no more than to say—and this is quite a qualification—that the competition and rivalry between China and the Soviet Union for influence in the North more often than not seems to be a prevailing if not controlling factor in their conduct and in their policy.

Regional geopolitical factors may play a role in the overall security situation, but North and South Korea themselves are the key to this story, a point that we have made repeatedly. Some significant changes have occurred in both countries that affect security and that may also have played a role in the opening of the current dialogue, particularly changes in the South.

In the South, the Republic of Korea has every reason to want dialogue with the North and to feel confident in pursuing it. The R.O.K.'s economic growth, export oriented and based on free market mechanisms, has been phenomenal. Militarily, South Korea maintains extremely capable armed forces and has a firm security commitment from my country. It has diplomatic relations with over 120 countries and is a member of almost all specialized agencies of the

United Nations. A most dramatic illustration of the South's growing international stature was the selection of Seoul as the site of the 1988 Olympics. All in all, it is a picture of great success of which the R.O.K., its government, and its people can be proud.

While economic success is one of the factors contributing to South Korean confidence in approaching North-South talks, ironically it may be—and I underline that word "may" several times—it may be that it is economic crisis that is forcing the North to seek new approaches. As I said already, our knowledge concerning internal developments in North Korea is extremely limited. However, there is no question that country is suffering severe economic stagnation; there are indications that its GNP actually may have declined in the last 5 years. North Korea remains unable to repay its rather limited foreign debts, after defaulting on them a decade ago. Bottlenecks and chronic shortages stemming from the inefficiencies of a centralized command economy bedevil all attempts at solving the North's economic problems.

The gap between the standard of living in Pyongyang and in the countryside appears to be severe. The North's expenditure of more than 20% of its GNP on the military makes most of the consumer goods widely enjoyed by South Koreans an impossible luxury for all but the most privileged—and we know who the most privileged are—in the North.

There are indications that North Korea has shown an interest in China's new economic policies. North Korean officials have paid numerous visits, for example, to China's free trade zones, and North Korea's new joint ventures law is apparently patterned after that of China. It may be that the North's interest in economic talks with the South, which is unprecedented, reflects in some measure this groping for new economic solutions. The North may believe that by improving relations with the South, at least to some degree, it may be able to persuade Western nations to provide the technology, trade, and investment that it hopes for and needs.

Another reason possibly motivating North Korea is a new interest in improving its international image. Never good, it was virtually discredited by the 1983 Rangoon bombing, an atrocity of incredible scale and audacity perpetrated by North Korean commandos—one that killed 17 Korean Government officials (including a man that I would have been proud to claim as a good friend,

former Foreign Minister Lee Bum-suk) and missed President Chun himself only by chance. That has undoubtedly led to even greater diplomatic isolation for the North. And it may, indeed, be that one of its motives is to try to break out of that isolation.

However, I think we have to recognize—given the extremely closed nature of North Korea—we have to accept that we cannot judge it by its intentions. Only its actions really provide legitimate clues. Little that has come of the talks so far is inconsistent with the most skeptical and fundamental interpretation of North Korean motivations. That is that they are, perhaps, engaged in an effort—perhaps reinforced by their failure to achieve a withdrawal of American troops through American weakness—perhaps an effort to encourage a premature and unwarranted relaxation of vigilance and to encourage divisions between the United States and our allies in South Korea.

We will not allow that to happen. On the other hand, we will pursue these talks in a serious vein. The slow progress we have seen may simply reflect a very prudent approach by both sides to a very difficult negotiation. The distrust

of 35 years will not be overcome by a few handshakes and a few smiles. A habit of talking out differences, essential differences, must still be formed. Mutual confidence must be nurtured, not just by words but by deeds. But fundamentally, we are encouraged that direct dialogue between North and South is taking place, and we will continue to welcome and to support our South Korean ally in that process.

Conclusion

Let me just conclude by saying that I believe that the net effect of the various developments I have described this evening represents a considerable increase in South Korea's security. Compared to a decade ago, the R.O.K. has stronger armed forces, a firmer U.S. security commitment, an enhanced diplomatic presence, and greater stature throughout the world.

Internally, the Republic of Korea has made great economic progress and is committed to democratic development, including a peaceful transfer of power in 1988. Moreover, North and South Korea are now engaged in direct talks. Though that dialogue has yet to produce con-

crete results, the very fact of its existence and its continuation is significant. Security is necessarily linked to the level of tension and real threat, and we believe that the key to reducing tensions lies in a step-by-step building of confidence through direct dialogue and concrete actions by North and South Korea.

Until that process reaches some utopian conclusion, and that is a long way away, the Korean Peninsula will remain a hotspot, and continued vigilance—and continued efforts in all these fields—is a vital necessity. As I noted at the beginning, I am very optimistic about the future of South Korea and about the future of U.S.-Korean relations. As the Republic of Korea continues its efforts in all these fields, it can count on the close friendship and support of the United States. ■

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For Dr. Sigur's meeting ^{9/3}
with Kim Young Sam and
Kim Dong Young on 9/5.

David Straub
State Dept.
Korea Desk.
x632-7717

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43702	PAPER BIO	2	4/1/1985	B1

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43703	PAPER BIO	1	8/30/1985	B1

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In case Dr. Sejun 9/13
agrees to meet with
these Korean National
Assemblyman next week.

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43704	PAPER BIO	1	8/30/1985	B1

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43705	PAPER BIO	1	8/9/1985	B1

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Korea

NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506

September 5, 1985

~~CONFIDENTIAL~~ACTION

MEMORANDUM FOR ROBERT C. MCFARLANE

FROM: GASTON J. SIGUR

SUBJECT: Presidential response on Trade Issues to President
Chun Doo Hwan of Korea

Attached is a draft letter (Tab I) from President Reagan to President Chun in reply to Chun's letter of August 20 (Tab II) regarding current trade issues. The letter was delivered by President Chun's Senior Economic Advisor, Dr. SaKong Il. I met with SaKong, as did a number of others in State, Commerce, and USTR. He seemed pleased with his session.

I asked State to coordinate this response with USTR, Commerce and CEA and they have done so.

RECOMMENDATION

That you forward to the President a draft response from him to President Chun.

Approve _____

Disapprove _____

Attachments

Tab I Memorandum to President Reagan
Tab A Draft letter from the President
Tab B President's Chun's letter dated August 20
Tab II State memo

~~CONFIDENTIAL~~

Declassify: OADR

DECLASSIFIED
White House Guidelines, August 23, 1997
By als NARA, Date 10/2/07

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43706 MEMO

1 ND B1

ROBERT MCFARLANE TO THE PRESIDENT, RE:
YOUR RESPONSE TO TRADE ISSUES TO
PRESIDENT CHUN DOO HWAN

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43707	LETTER REAGAN TO PRESIDENT CHUN	2	ND	B1

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43708	LETTER PRESIDENT CHUN TO REAGAN	2	8/20/1985	B1

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United States Department of State

Washington, D.C. 20520

August 29, 1985

~~CONFIDENTIAL~~

MEMORANDUM FOR MR. ROBERT C. MCFARLANE
THE WHITE HOUSE

SUBJECT: Reply to President Chun's Letter on Trade Issues

Attached is a draft letter from the President to President Chun, in reply to President Chun's letter of August 20 regarding current trade issues. Both letters address steps Korea is taking to open its markets, an issue central to our bilateral economic relations.

Nicholas Platt
Nicholas Platt
Executive Secretary

Attachments:

1. Draft reply to President Chun.
2. Incoming correspondence.

DECLASSIFIED

Department of State Guidelines, July 21, 1997

By dh NARA, Date 10/2/07

~~CONFIDENTIAL~~

DECL: OADR



THE VICE PRESIDENT
WASHINGTON

Korea

September 6, 1985

Dr. Kyung-Hwan Chun
Chancellor
Saemaul Undong Headquarters
Kangseo Ku 150 02
Seoul, Korea

Dear Chancellor Chun:

I regret not being able to visit with you while you were in Washington recently.

Our mutual friends, Judge Clark and Lyn Nofziger, have told me about the work you are doing to advance Korea's social and economic development. They were impressed with what they saw as your guests in Seoul recently, and I appreciate the warm hospitality you extended to them.

I send to you, and to your brother, President Chun, my best wishes.

Sincerely,

George Bush

THE AMBASSADOR OF KOREA
WASHINGTON, D. C.

September 10, 1985

The Honorable Gaston J. Sigur, Jr.
Special Assistant to the President
and Senior Director
National Security Council
Washington, D.C. 20506

Dear Mr. Sigur:

I am writing to express the appreciation of my Government for the Administration's opposition to the Textile and Apparel Trade Enforcement Act of 1985 and to re-emphasize our serious concern regarding the grave economic and political impact that will result from enactment of this legislation. Not only would there be adverse consequences for the Korean economy, but bilateral trade promotion between the United States and Korea and prospects for another round of multilateral trade negotiations could be harmed as well. Moreover, we are very worried that passage of this bill might interfere with Korea's sincere efforts to expedite its import liberalization schedule.

It is the fervent hope of my Government that the Administration devote urgent and substantial attention to preventing enactment of this legislation. In formulating such an Administration strategy, I hope you carefully consider the facts presented in the attached position paper prepared by the Ministry of Trade and Industry of the Korean Government.

I would be happy to respond to any questions or advice you might have concerning this presentation.

With best regards,

Sincerely,


Byong Hion Lew
Ambassador

Enclosure: As stated

THE TEXTILE AND APPAREL ENFORCEMENT ACT:

A Misconceived Policy Prescription

July 1985

Ministry of Trade and Industry

Republic of Korea

The Republic of Korea, along with the Reagan Administration, numerous organizations representing consumers, retailers and exporters in the U.S., and supporters of free trade worldwide, is concerned by the Textile and Apparel Trade Enforcement Act of 1985 (S.680/H.R. 1562). This Act would impose drastic new quotas on textile and apparel imports to the United States, especially those from "major suppliers" such as Korea, Taiwan and Hong Kong. If this legislation were to pass, it would not only reduce economic growth in both Korea and the U.S. but would also do immense damage to trade relations between the two countries. The Act would violate America's previous commitments to major international trade agreements; moreover, it would reduce the chances for improvement in the world trade system by undermining confidence in the U.S. commitment to fair and free trade.

Impact on Korea's Economy

Korea's textile and apparel industry, with about 10,000 firms and 750,000 employees, makes up one-fourth of the nation's manufacturing sector. Textile products remain Korea's most important export, a position they have held for years. Doing business without government support or export assistance, Korea's textile firms operate strictly on the basis of fair competition in their sales abroad.

The Textile and Trade Enforcement Act would seriously

injure this vital Korean industry. The proposed bill would cut U.S. imports of Korean textiles by 35 percent, with imports of some categories cut by 90 percent or more. Furthermore, the Act would restrict Korea's exports of silk and linen, even though these goods are not produced in significant quantities in the U.S. and are not subject to limitations under the Multifiber Arrangement. Because Korean exports of these goods do not threaten the U.S. textile industry, the claim of injury inherent in this part of the Act does not make sense.

Korean textile exports to the United States are already severely restricted. In 1982, the United States and Korea negotiated a six-year, bilateral textile agreement, covering 92 percent of all textile and apparel imports from Korea. Under this agreement, Korean wool products are allowed only a one percent import growth annually, and all other products are limited to 2.5 percent import growth each year. These imports are also subject to an average tariff of 22.3 percent. Since Korea has observed its commitments to the 1982 agreement, the U.S. would be unjustified in imposing further quota restrictions on the Korean textile industry.

Like many developing countries today, Korea has a high debt burden, currently spending over \$6.7 billion per year in debt service payments, much of it to banks in the United States. In addition, Korea must commit six percent of its GNP to defense, a burden which is supportable only because

of the nation's overseas earnings. Cutting back on Korea's textile exports would make the nation less able to service its debt and to maintain its other international obligations.

The Legislation Will Hurt the U.S.

The damage from the proposed legislation would not, of course, be confined to America's trading partners. According to the calculations of the Reagan Administration, the quotas imposed by the bill would cost the U.S. economy \$2 billion per year; estimates by the Retail Industry Trade Association put these costs at \$2.4 billion annually. Each job saved by the existing textile import restrictions costs the American public \$35,000 per year, according to a 1984 Federal Trade Commission study, and the International Business and Economic Research Corporation predicts that the new quotas would cause an additional 16 percent rise in the price of clothing. Since clothing takes a bigger bite out of the incomes of lower-income families, poorer Americans would pay heavily to support low-paying, temporary jobs in the domestic textile industry.

Despite its costly protection for textile manufacturing jobs, the proposed legislation would cause a net job loss in the U.S. economy. Farmers and manufacturers of chemicals, machinery and other products would see many of their foreign opportunities dry up, as foreign clients lose the income

they need to purchase U.S. products or as governments overseas retaliate with protectionist measures of their own. In addition to the job losses in U.S. exporting industries, the new import restrictions would increase unemployment in the retail sector, where higher prices would reduce sales.

The proposed Act is at best a wrong medicine for U.S. trade problems. Because of the strength of the dollar in recent years, America's imports have boomed in all industries, not just in textiles. The 32 percent growth in textile and apparel imports last year, for example, was only slightly higher than the 26 percent rise in all imports during the year.

Furthermore, much of the job loss in the American textile and apparel industry cannot be traced to import competition. The proposed bill itself refers to the continuing productivity improvements by U.S. manufacturers, changes which naturally reduce the industry's manpower needs. As a result, levels of import competition do not correspond to job losses in the domestic industry. Since 1980, import penetration has been much higher in apparel than in textiles, but the apparel industry has suffered a much lower rate of job losses.

Thus, a far more effective means to restore the health of the U.S. textile and apparel industry would be to reduce the federal budget deficit, bringing interest rates and the value of the dollar back to reasonable levels. In addition,

the U.S. should provide trade adjustment assistance in order to facilitate the overall restructuring of the textile and apparel industry.

Korea: A Trading Partner, Not an Adversary

The trading relationship which has developed between the United States and Korea is too valuable to endanger with protectionist measures such as this Act. As the seventh largest trading partner of the United States, Korea imported \$6.9 billion in American goods last year. Korean firms are major purchasers of U.S.-made machinery, aircraft, electrical generating equipment and chemicals. In addition, Korea bought \$1.8 billion in American agricultural products last year, including 74 percent of its imported wheat, 86 percent of its imported corn and 100 percent of its overseas purchases of soybeans. The Korean textile industry makes a significant contribution to this trade relationship; in 1984, Korean textile manufacturers purchased nearly half a billion dollars in cotton from U.S. farmers, and they are becoming important customers of the United States in the petrochemicals needed to produce synthetic fibers.

Korea is a cooperative trading partner, committed to opening its markets to international competition. The nation is adhering to a strict import liberalization schedule, and fully 87.7 percent of all products can now be imported to Korea free of non-tariff barriers. By 1988 this

ratio will exceed 95 percent, a level equal to that of most developed countries. Tariff barriers are coming down as well, and Korea is moving to ensure the protection of intellectual property rights such as patents and trademarks. Naturally, the pace of liberalization has not satisfied all parties concerned, but there can be no doubt about Korea's genuine commitment to opening its markets.

As a nation with a \$43 billion external debt and a per capita income of under \$2,000, Korea has made this commitment to fair and open trade not out of strength but out of the conviction that freer markets will benefit Korean consumers, domestic industries and foreign trade partners alike. In carrying out its liberalization policies, however, the government has faced increasing domestic resistance. If crippling restrictions are imposed on such vital industries as textiles and apparel, it may well become politically and economically impossible for Korea's market-opening measures to continue.

The Act Will Violate U.S. Trade Commitments

Should the U.S. enact the proposed legislation, it would instantly be in violation of its commitments to the Multifiber Arrangement (MFA), its bilateral commitments to the Republic of Korea, and its position as a supporter of free trade. Although the Act is described as a means of enforcing the MFA, its effects would be the opposite of

those sought by the Arrangement. The MFA requires that quotas be administered flexibly, and it specifies a minimum six percent export growth level if restraints are imposed. Not only does the proposed bill establish rigid and inflexible quotas, but it misrepresents the MFA-prescribed minimum growth rate as an upper limit on export growth.

The MFA is based on progressive liberalization of trade and preferential treatment of developing countries. The bill, however, exempts most developed countries from restrictions while imposing harsh quotas on developing nations, including some of the world's poorest countries. These unequal quotas are also a clear violation of GATT, which forbids discriminative measures against imports.

To augment the provisions of the MFA, the United States has negotiated 34 bilateral textile agreements with Korea and other countries. These agreements establish tight quotas and consultation levels, and they generally allow annual import growth of only 1-6 percent. The provisions of the new legislation would make the U.S. violate every one of these bilateral agreements.

In a still broader sense, restraints on imports will hurt the prospects for economic cooperation worldwide. The United States has taken the initiative for a new round of multilateral trade negotiations, and Korea also supports this initiative. If the United States expects developing countries to take part in the New Round, however, it must

offer them something of value. Restrictions on textile imports in the U.S. would strike most developing nations as a clear signal that the United States is not sincere in wanting to liberalize world trade, thereby dashing hopes for a new round of negotiations.

Summing Up

In summary, the Textile and Apparel Enforcement Act seeks to shift responsibility for the effects of the U.S. budget deficit and the strong dollar to America's trading partners. Such an approach would harm not only U.S. consumers and exporters but also the nation's trading partners, particularly in the developing world. In addition, the provisions of the Act would violate all the MFA-related agreements which the U.S. has signed, thus undermining confidence in the continuing U.S. commitment to free and fair trade between nations.

For these reasons alone, the Korean government welcomes the Reagan Administration's principled stance against this Act, as shown in the Economic Policy Council's June 19 letter to Congress. We join with the Reagan Administration in urging the Congress to reject this protectionist legislation.

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43709	REPORT RE: SOUTH KOREA	4	9/23/1985	B1

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