Case Number: 2009-0528-F

FOIA MARKER

This is not a textual record. This is used as an administrative marker by the Clinton Presidential Library Staff.

Folder Title:
Korea, President's Visit, November 1998 [2]

Staff Office-Individual:
National Economic Council-Lee, Malcolm

Original OA/ID Number:
CF 1184

Row:	Section:	Shelf:	Position:	Stack:
23	5	8	2	V

Withdrawal/Redaction Sheet
Clinton Library

DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
001. draft	Memo For the President. Subject: Meeting with Republic of Korea President Kim Dae-jung. [annotated] (6 pages)	10/22/1998	P1/b(1)
002. note	Photocopy of Handwritten notes. (3 pages)	10/1998	P1/b(1)
003. draft	Memorandum of Conversation. (10 pages)	11/1998	P1/b(1)
004. email	To National Security Advisor, Asian Affairs, and Holly Hammonds from Malcolm Lee at 7:15pm. Subject: China WTO Talks next week. (1 page)	11/25/1998	P1/b(1)
005. draft	Memorandum of Conversation. [annotated] (10 pages)	11/1998	P1/b(1)
006. schedule	Schedule of the President for Thursday, November 19, 1998. [partial] (10 pages)	11/17/1998	b(7)(C), b(7)(E), b(7)(F)
007a. talking points	Bilateral with Han Duck-soo. (7 pages)	11/18/1998	P1/b(1)
007b. list	U.S. Government's Questions on Korean Steel. (2 pages)	11/18/1998	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

FOLDER TITLE:

Korea, President's Visit, November 1998 [2]

2009-0528-F
vz1412

RESTRICTION CODES

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

- P1 National Security Classified Information [(a)(1) of the PRA]
- P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
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C. Closed in accordance with restrictions contained in donor's deed of gift.
PRM. Personal record misfile defined in accordance with 44 U.S.C. 2201(3).
RR. Document will be reviewed upon request.

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

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United States Participants
THE PRESIDENT
Ambassador Bosworth
Secretary William Daley
Doug Sosnik
Samuel Berger
Gene Sperling
James Harmon
Stanley Roth
Harold Koh
Lael Brainard
General Tilelli
Ken Lieberthal (notetaker)

Republic of Korea Participants
President Kim Dae-Jung
Foreign Minister, Hong Soon-Koo
Ambassador Lee Hong-Koo
National Security Advisor Lim Dong-Won
Kang Pong-Kyun
Minister of Economics and Finance Lee Kyu-Song
Defense Minister Chun Yong-Taek
Minister of Trade Han Duck-Soo
Chief of Staff Kim Choong-Kwon
Park Jie-Won
Kwon Jong-Rak (notetaker)

-- Upon conclusion of the discussion, the President, accompanied by President Kim Dae-Jung, proceeds to the elevator where President Kim Dae-Jung bids the President farewell.

12:40 pm- 1:40 pm
LUNCH/BRIEFING
NATIONAL STATE GUEST WAITING ROOM
Chong Wa Dae (Blue House)
Staff Contact: Samuel Berger

1:50 pm- 2:50 pm *[11:50am-12:50pm EST]*
JOINT PRESS CONFERENCE WITH PRESIDENT KIM DAE- JUNG OF KOREA
PRESS CONFERENCE HALL
Chong Wa Dae (Blue House)
Remarks: Ted Widmer, Antony Blinken
Staff Contact: Samuel Berger, Joe Lockhart
Event Coordinator: Aviva Steinberg
Interpretation: Simultaneous
OPEN PRESS

United States Participants
THE PRESIDENT
Official Delegation

Republic of Korea Participants
President Kim Dae-Jung
Korean Delegation

Withdrawal/Redaction Marker
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002. note	Photocopy of Handwritten notes. (3 pages)	10/1998	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

FOLDER TITLE:

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National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

FOLDER TITLE:

Korea, President's Visit, November 1998 [2]

2009-0528-F
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006. schedule	Schedule of the President for Thursday, November 19, 1998. [partial] (10 pages)	11/17/1998	b(7)(C), b(7)(E), b(7)(F)

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National Economic Council
Malcolm Lee
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FINAL

Thursday, November 19, 1998

Schedule of the President
for
Thursday, November 19, 1998
Draft Schedule

2:00 pm [12:00 pm EST]

THE PRESIDENT arrives Haneda Airport, Tokyo, Japan

Greeters: Ambassador Thomas Foley
Heather Foley
Lieutenant General J. B. "Skip" Hall
Yukio Takeuchi

Note: Tokyo is 14 hours ahead of Washington, DC.

2:15 pm

THE PRESIDENT departs Haneda Airport, Tokyo, Japan via motorcade en route Imperial Residence
[drive time: 35 minutes]

[redacted] [006]

2:50 pm

THE PRESIDENT arrives Imperial Residence

Note: All staff and guests will proceed directly to the Okura Hotel.

3:00 pm-
3:30 pm

CALL ON EMPEROR AND EMPRESS
IMPERIAL RESIDENCE
Staff Contact: Samuel Berger
Event Coordinator: Aviva Steinberg
POOL SPRAY (OUTSIDE RESIDENCE)
CLOSED PRESS (INSIDE RESIDENCE)

Note: Only the President will enter the residence.

November 17, 1998 (9:02pm)

Thursday, November 19, 1998

3:35 pm-		THE PRESIDENT departs Imperial Residence via motorcade en route Ambassador's Residence [drive time: 10 minutes]

[redacted] (b)(7)(c), (b)(7)(e), (b)(7)(f) [006]

3:45 pm		THE PRESIDENT arrives Ambassador's Residence
3:45 pm- 4:15 pm		DOWN AMBASSADOR'S RESIDENCE
4:15 pm- 5:15 pm		BRIEFING FOR TOWN HALL LIVING ROOM Ambassador's Residence Staff Contact: Doug Sosnik, Samuel Berger

November 17, 1998 (9:02pm)

Thursday, November 19, 1998

5:25 pm THE PRESIDENT departs Ambassador's Residence via motorcade en route Tokyo Broadcasting System (TBS)
[drive time: 10 minutes]

[redacted] (b)(7)(c), (b)(7)(e), (b)(7)(f) [006]

5:35 pm THE PRESIDENT arrives Tokyo Broadcasting System

Greeters: Mr. Sunahara, President, Tokyo Broadcasting System
Mr. Shiho, Chairman of the Board, Tokyo Broadcasting System

5:35 pm THE PRESIDENT proceeds to the XX floor

[redacted] (b)(7)(c), (b)(7)(e), (b)(7)(f) [006]

November 17, 1998 (9:02pm)

Thursday, November 19, 1998

5:40 pm- 5:55 pm	BRIEFING PRESIDENTIAL HOLD Tokyo Broadcasting System Staff Contact: Samuel Berger

– Upon conclusion of the briefing, the President proceeds to Studio A for a pre-program audience introduction.

6:00 pm- 7:00 pm [4:00am-5:00am EST]	TAPE "A DISCUSSION WITH PRESIDENT CLINTON" STUDIO A Remarks: Antony Blinken Staff Contact: Samuel Berger Event Coordinator: Aviva Steinberg Interpretation: Simultaneous AUDIO TO FILING CENTER/POOL PRESS ROTATION

6:0' To Dinner
from Okura
if Not
in Motorcade

– Mr. Tetsuya Chikushi makes opening remarks and introduces the President.

– The President makes two-minute opening remarks.

– Mr. Tetsuya Chikushi introduces the President to the audience in Osaka.

– Mr. Tetsuya Chikushi asks the President 2-3 questions chosen from the internet or received by fax.

– Discussion begins.

– The President makes four-minute closing remarks, works a ropeline and departs.

Thursday, November 19, 1998

7:25 pm

THE PRESIDENT departs Tokyo Broadcasting System via motorcade en route Akasaka Palace
[drive time: 15 minutes]

[redacted] [006]

7:40 pm

THE PRESIDENT arrives Akasaka Palace

Greeters: Prime Minister Keizo Obuchi
Ambassador Kawamura, Chief of Protocol, Akasaka Palace

7:45 pm-
10:00 pm
[5:45 am-8:00 am EST]

DINNER AND ENTERTAINMENT
MUSIC ROOM AND KACHO NO MA BANQUET HALL
Akasaka Palace
Remarks: Ted Widmer
Staff Contact: Samuel Berger
Event Coordinator: Aviva Steinberg
Interpretation: Simultaneous (Toasts), Whisper (Dinner)
POOL PRESS (TOASTS ONLY)

Note: **This dinner is business attire.**

Note: **There will be approximately 130 guests in attendance.**

– The President proceeds to the Music Room to view a 20 minute performance.

Note: **There will be approximately 40 guests at the performance.**

– **The President** proceeds to "Kacho No Ma" Banquet Hall for dinner.

– Prime Minister Keizo Obuchi offers a toast.
POOL PRESS

– **The President** offers a toast.
POOL PRESS

– Dinner is served.

(9:30 pm) – Upon conclusion of dinner, **the President**, accompanied by Prime Minister Keizo Obuchi, proceeds to Hagoroma-No-Ma Room for coffee.

– Upon conclusion of coffee, **the President**, escorted by Prime Minister Keizo Obuchi, departs.

Thursday, November 19, 1998

10:05 pm	THE PRESIDENT departs Akasaka Palace via motorcade en route Ambassador's Residence [drive time: 15 minutes]

[redacted]

(b)(7)(c), (b)(7)(e), (b)(7)(f)

[006]

10:20 pm	THE PRESIDENT arrives Ambassador's Residence
BC RON	AMBASSADOR'S RESIDENCE TOKYO, JAPAN
HRC RON	SANTO DOMINGO, DOMINICAN REPUBLIC

November 17, 1998 (9:02pm)

Friday, November 20, 1998

Schedule of the President
for
Friday, November 20, 1998
Draft Schedule

Staff note:	The morning traveling staff meeting will be from 9:00-9:20 am in Room 855.

Air Force One and Support plane note:	Vans will depart Okura Hotel en route Haneda Airport at 4:00 pm.

9:30 am- 9:40 am		**BRIEFING** LIVING ROOM Ambassador's Residence Staff Contact: Doug Sosnik
9:45 am		**THE PRESIDENT** departs Ambassador's Residence via motorcade en route Capital Tokyo Hotel [drive time: 10 minutes]

[redacted]

(b)(7)(c), (b)(7)(e), (b)(7)(f)

[006]

November 17, 1998 (9:02pm)

Friday, November 20, 1998

9:55 am	THE PRESIDENT arrives Capital Tokyo Hotel Greeters: Don Westmore, Executive Director, American Chamber of Commerce in Japan (ACCJ) Board Member, ACCJ Nakajima Mitsugi, President, Tokyo Hotels Corporation	
10:00 am- 10:45 am	REMARKS TO THE AMERICAN CHAMBER OF COMMERCE LOCATION TBD Capital Tokyo Hotel Remarks: David Halperin Staff Contact: Samuel Berger, Gene Sperling Event Coordinator: Aviva Steinberg OPEN PRESS	

- Off-stage announcment of the President to *Ruffles and Flourishes*.
- Glen S. Fukushima, President of the ACCJ and Master of Ceremonies, introduces Representative Patsy Mink.
- Representative Patsy Mink makes brief remarks and introduces Secretary William Daley.
- Secretary William Daley makes brief remarks and introduces the President.
- The President makes remarks, works a ropeline, and departs.

Friday, November 20, 1998

10:50 am THE PRESIDENT departs Capital Tokyo Hotel en route United States Embassy
[drive time: 10 minutes]

[redacted] (b)(7)(c) (b)(7)(e) (b)(7)(f) [006]

11:00 am THE PRESIDENT arrives United States Embassy

Greeters: Ambassador Thomas Foley
Heather Foley

November 17, 1998 (9:02pm)

Friday, November 20, 1998

11:05 am- 11:40 am

REMARKS TO THE EMBASSY COMMUNITY
CONFERENCE ROOM
United States Embassy
Remarks: Matt Gobush
Staff Contact: Samuel Berger
Event Coordinator: Aviva Steinberg
CLOSED PRESS

Participants
THE PRESIDENT
Ambassador Thomas Foley
Secretary Daniel Glickman
Secretary William Daley
USTR Charlene Barshefsky
Senator Max Baucus (T)
Representative Neil Ambercrombie
Representative Patsy Mink
Representative Earl Pomeroy
Lawrence Summers
Samuel Berger

Note: There will be approximately 300 guests in attendance.

Note: Cabinet and CODEL attending will be on stage.

- Off-stage announcement of the President.
- Ambassador Thomas Foley makes brief remarks and introduces Senator Max Baucus.
- Senator Max Baucus makes brief remarks and introduces the President.
- The President makes remarks, works a ropeline, and departs.

11:50 am- 12:20 pm

BRIEFING
JEFFERSON ROOM
United States Embassy
Staff Contact: Samuel Berger

Friday, November 20, 1998

12:25 pm — **THE PRESIDENT** departs United States Embassy via motorcade en route Tenichi Restaurant
[drive time: 10 minutes]

[redacted]
(b)(7)(c), (b)(7)(e), (b)(7)(f) [006]

12:40 pm — **THE PRESIDENT** arrives Tenichi Restaurant

Greeter: Mr. Suzuki, Owner, Tenichi Restaurant

12:45 pm-
2:30 pm — LUNCH
TENICHI RESTAURANT
Staff Contact: Samuel Berger
Event Coordinator: Aviva Steinberg
Interpretation: Whisper

Participants
THE PRESIDENT Ambassador Thomas Foley Doug Sosnik Samuel Berger

– Lunch is served.

– Upon conclusion of lunch, the President, accompanied by Prime Minister Keizo Obuchi, proceeds downstairs for coffee and dessert.

– Upon conclusion of dessert, the President departs.

Friday, November 20, 1998

Motorcade to Palace

2:35	pm	THE PRESIDENT departs Tenichi via motorcade en route Akasaka Palace [drive time: 15 minutes]

[redacted] (b)(7)(C), (b)(7)(E), (b)(7)(F) [006]

2:50	pm	THE PRESIDENT arrives Akasaka Palace Greeter: Director General Tsukada, Akasaka Palace
2:55 3:00	pm- pm	GREET PRIME MINISTER KEIZO OBUCHI OF JAPAN ASAHI-NO-MA ROOM Akasaka Palace Staff Contact: Samuel Berger Event Coordinator: Aviva Steinberg POOL SPRAY

Friday, November 20, 1998

3:00 pm- 3:30 pm		BILATERAL MEETING WITH PRIME MINISTER KEIZO OBUCHI OF JAPAN (PART ONE) DINING ROOM Akasaka Palace Staff Contact: Samuel Berger Event Coordinator: Aviva Steinberg Interpretation: Consecutive CLOSED PRESS

United States Participants	Japanese Participants
THE PRESIDENT Ambassador Thomas Foley Doug Sosnik Samuel Berger Stanely Roth Ken Lieberthal (notetaker)	Prime Minister Keizo Obuchi

3:30 pm	THE PRESIDENT proceeds to the Asahi-No-Ma Room
3:35 pm- 4:20 pm	BILATERAL MEETING WITH PRIME MINISTER KEIZO OBUCHI OF JAPAN (PART TWO) ASAHI-NO-MA ROOM Akasaka Palace Staff Contact: Samuel Berger Event Coordinator: Aviva Steinberg Interpretation: Consecutive CLOSED PRESS

4:05 Staff Bus to Airport Okura

United States Participants	Japanese Participants
THE PRESIDENT Ambassador Thomas Foley Secretary Daniel Glickman Secretary William Daley Janet Yellen USTR Charlene Barshefsky Doug Sosnik Samuel Berger Gene Sperling Lawrence Summers James Harmon Stanley Roth Lael Brainard Ken Lieberthal (notetaker)	Prime Minister Keizo Obuchi

4:25 pm- 4:40 pm	BRIEFING ROOM 221 Akasaka Palace Staff Contact: Samuel Berger

November 17, 1998 (9:02pm)

Friday, November 20, 1998

4:50 pm-
5:10 pm

BRIEF PRESS STATEMENT
ASAHI-NO-MA ROOM
Akasaka Palace
Staff Contact: Samuel Berger
Event Coordinator: Aviva Steinberg
Interpretation: Simultaneous
POOL PRESS

Participants
THE PRESIDENT
Ambassador Thomas Foley
Doug Sosnik
Samuel Berger
Joe Lockhart

- Prime Minister Keizo Obuchi makes a brief statement.
- The President makes a brief statement.
- The President and Prime Minister Keizo Obuchi each take two questions from the press.
- The President, accompanied by Prime Minister Keizo Obuchi, proceeds to the Palace Entryway.
- The President bids Prime Minister Keizo Obuchi farewell and departs.

Friday, November 20, 1998

5:20 pm THE PRESIDENT departs Akasaka Palace via motorcade en route Haneda Airport
[drive time: 40 minutes]

[redacted] (b)(7)(c), (b)(7)(e), (b)(7)(f) [006]

6:00 pm THE PRESIDENT arrives Haneda Airport

Greeter: Hiroshi Tanaka, Deputy Director General

6:15 pm THE PRESIDENT departs Haneda Airport via Air Force One en route K-16 Airport, Seoul, Republic of Korea
[flight time: 2 hours]

Korea - Economic Assessment

The almost palpable sense of euphoria felt by many Koreans after the darkest days of late 1997 and early 1998 has given way to increased frustration and anxiety as awareness sinks in of the difficult road ahead. While Korea has largely left behind fears of a foreign exchange crisis (reserves totaled about $43.81 billion as of 10/21/98), the real economy continues to contract with little progress being made on necessary structural reforms. With unemployment rising, domestic consumption falling, and exports recently declining in value, Korea's recovery prospects for 1999 are highly dubious. The most recent IMF forecast is that Korea's growth will shrink -5% ~ -6% in 1998, the first recession since 1980, despite the steady upward revision in forecasts of the current account surplus from $8 billion to $21 billion and most recently to $35 billion (7.3% GDP). This compares with current account deficits in 1996 and 1997 of $23.7 billion and an estimated $8.9 billion respectively. Consensus Forecasts predicts that the economy will bottom out in 2Q99, with 3Q99 GDP growth rising 1.3%.

Macroeconomic Situation
Preliminary data indicates that Korea's third quarter GDP will be close to a 6.6% yoy contraction, higher than the decline of almost 4% yoy in the first quarter but not significantly higher than the - 6.5% contraction of 2Q1998. Projected 1998 GDP has been revised downward to the range of -5% ~ -6%. Inflation is forecast for 7.2%, down from earlier IMF double-digit forecasts, due in part to lower commodity prices and depressed domestic consumption. Seasonally adjusted unemployment in August rose to 8.1% from 2.3% a year earlier but was lower than July's 8.6% rate, the first fall since Korea began its IMF program. The National Statistical Office noted that floods in August helped reduce the number of people seeking jobs because they were occupied repairing the damage.

Fiscal Situation
With greater than expected GDP contraction in 1998, the consolidated central government deficit is expected to widen to about - 5% GDP, up from previous forecast of - 4%. The widening of the deficit is due primarily to a further decline in revenues of about 3/4% GDP and emergency relief of 1/4% GDP for flood damage assistance. The ROKG approved a supplementary budget in September calling for an additional 12.1 trillion *won* in bond issues, bringing 1998 total ROKG domestic bond issues to 13.9 trillion *won* ($10.1 billion at 1375/$). The additional bond issuance will be used to cover a fiscal deficit of 11.7 trillion *won* and for 0.4 trillion *won* deposit in the National Housing Fund to assist in home purchases. On top of this bond issuance, the ROKG has acknowledged the need for some 50 trillion *won* in additional public monies for purchases of NPLs from domestic financial institutions. Of this 50 trillion, only about 9 trillion *won* will be raised directly in the bond market with the remaining 41 trillion *won* in bonds to be transferred to banks for restructuring and recapitalization. These bonds will be issued at market rates with interest costs to be borne by the ROKG budget.

External Trade
Korea's trade balance continues to rise, due in great part to continued import compression. Imports fell 43.7% yoy and 37.5% yoy in July and August respectively. Export volume rose about 30% in the first half of 1998 and is expected to end 1998 up 17% yoy. However, worsening terms of trade translated into only a 3.5% rise in the dollar value of exports in the first half of 1998; this already meager figure would have been only 0.8% if the gold collected during 1Q1998 were excluded. Exports in dollar terms have been falling since May, tumbling 13.6% yoy in July and 10.8% yoy in August as the regional recession deepens and major economies also show signs of slowing.

Financial Markets
As of November 16, 1998 the KOSPI index was up in 1998 some 12.5% in local currency terms and almost 58% in dollar terms. The dollar-term rise is due to the *won*'s 29% appreciation in 1998. Since the pre-crisis date of October 1, 1997 the *won* has depreciated 31% from 910/$ to 1317/$ as of November 16, 1998. Although the currently is fluctuating in the 1320/$ range, the *won* has not yet fully stabilized, with many analysts believing that as Korea's exports and current account surplus fall, so too will the *won*. Short-term (call) rates peaked at 30% in late December 1997 and have since been eased in line with foreign exchange market stabilization, gradually falling to around 7% as of November 16, 1998, below pre-crisis levels. Korean officials have indicated concern that lowering rates further would diminish corporate sector restructuring incentives. One week interbank rates have gradually fallen from 35% in December 1997 to around 7.1% as of November 16, 1998.

Structural Reform Implementation
Korea appears to be losing momentum on structural reforms and development of a flexible labor market. Basic reforms relating to improving disclosure and raising auditing and accounting standards have been slow to be implemented. The scope of social safety net benefits remains limited and actual disbursement of unemployment compensation has been slow to date, contributing to strong labor opposition to restructuring and layoffs. There is no clear incentive for banks to engage in corporate restructuring and the ROKG needs to play a stronger role. In addition, there is a lack of coordination between the financial and corporate sector restructuring processes to ensure consistency, particularly with respect to plans for NPL and asset disposition. The "big deal" swaps of industries among the top 5 conglomerates are not transparent, not easily valued, not market-based, and not legally enforceable. The exclusion of the top five *chaebol*, which account for 50% of Korea's GDP, from any legally enforceable restructuring plan lends credence to the "too big to fail" argument.

The Real Economy
During 1H1998, Korean investment in equipment and in construction declined 46.7% yoy and 10.7% yoy, respectively. Inventories fell 7.5% yoy for 1H1998 while the average capacity utilization in the manufacturing sector fell to 67.3% for the same period compared to 80.5% in 1H1997. Facility investment growth continues to decline, standing at -41% yoy for 1H1998, compared with growth of 7.9% in 1H1997.

Relations with IFIs

World Bank: The Bank has disbursed $7 billion of the up to $10 billion it committed to Korea in December 1997. The Koreans received approval on October 22 for a $2 billion World Bank structural adjustment loan (SAL II) to be disbursed in two tranches of $1 billion each.

IMF

The IMF has disbursed $18 billion of the $21 billion it committed to Korea in December 1997. Korea has consistently fulfilled the letter, though at times not the spirit (especially in some trade-related areas), of its IMF program. Board meetings have in general been supportive of Korea's implementation of program measures, with members periodically pointing to specific concerns such as the relatively slow pace of corporate restructuring, the operations of the Korea Development Bank (KDB), and under-utilization of trade financing. The next review is tentatively scheduled for mid-November 1998.

Asian Development Bank

The ADB has disbursed $3 billion out of the $4 billion it committed to Korea's rescue package and is tentatively scheduled to disburse an additional $0.7 million in December 1998. Policy foci include banking sector and nonbank financial institutions restructuring; corporate accounting and disclosure standards; and counterpart funds to assist small and medium enterprises. A note was circulated by ADB staff in September reviewing implementation of the ADB's structural adjustment loan to Korea. While staff concluded that the program was on track and that funds reached their appropriate end-use, staff noted a number of irregularities in how funds were channeled and disbursed off-budget. Our ADB ED's office will look into this and provide additional details.

Bilateral Issues and Relations

- U.S. Bank Exposure to Korea: As of March 31, 1998, U.S. outstanding dollar bank loan exposure to Korea stood at $11.8 billion, compared to $13.5 billion as of end-1997. Including derivatives revaluations in these figures raises U.S. bank exposure as of March 31, 1998 to $14.7 billion, down 19.2% from the comparable end-1997 figure of $18.2 billion.
- Trade Balance: Korea had a 1997 trade deficit with the U.S. of -$1.4 billion, down 64% from its 1996 bilateral deficit of -$3.9 billion. As of July 1998, Korea ran a $4.9 billion **surplus** with the U.S.
- U.S. FDI in Korea: The total reported amount of FDI in the first half of 1998 equaled $2.46 billion, with 28.4% of this attributable to M&As. The stock of U.S. FDI in Korea totaled $5.3 billion at the end of 1995.
- Financial Services Presence: Total assets of the nationwide commercial banks, totaled 360.9 trillion won (US$257 billion) at the end of 1997. The 12 U.S. banks operating in Korea have a total of 23 branches. As of end-1997, U.S. banks operating in Korea held a total of 11.3 trillion won (US$8.1 billion) in assets, or 3.2 percent of total assets of deposit money banks." Under the IMF program, several market access issues are being addressed, including greater access and scope of operations for foreign bank and securities firms.
- Tax Treaty: The U.S. has a tax treaty with Korea, signed in 1976. Negotiations to revise the treaty are scheduled to begin in Spring 1999.
- Bilateral Investment Treaty: The U.S. is in the process of negotiating a BIT with Korea.

KOREA

Population in millions 1995e: 44.9 — Pop. Growth Rate: 1%

Per Capita GDP (12/96e): $10,548 — Fiscal Year: Calendar

	1994	1995	1996	1997e	1998f	1998 ytd
GP						
GDP ($ billion)	380.8	456.4	485.3	444.8	n.a.	n.a.
Real GNP Growth (%)	8.4	8.7	6.9	5.5	n.a.	n.a.
Real GDP Growth (%)	8.6	8.9	7.1	5.9	-5 – -6	n.a.
Saving and Investment						
Gross Domestic Investment (% GDP)	36.1	37	38.2	35.4	22.4	n.a.
Gross National Savings (% GDP)	35.4	35.1	33.3	33.4	34.3	n.a
Fiscal Policy						
Government Expenditure (% GDP)	18	20.7	21.9	21.8	27.8	n.a.
Fiscal Balance (% GDP)	0.8	0.3	0.3	-0.4	-4.1	n.a.
Monetary Policy						August
Average CPI Change (%)	6.2	4.5	4.9	4.5	8.5	6.9
Money Supply (M3, end of period)	n.a.	19.1	16.7	13.9	13.5	June 13.2
Balance of Payments						July ytd
Exports	93.7	124.6	130.0	138.6	139.5	77.8
(% change)	14.0	31.5	4.3	6.6	0.6	1.0%
Imports	96.8	127.9	144.9	141.8	99.2	54.7
(% change)	15.5	32.1	13.3	-2.1	-30.0	-37.2%
Trade Balance	-3.1	-4.8	-20.6	-3.2	40.3	23.1
(% GDP)	-0.8	-1.1	-4.2	-0.7	n.a.	n.a.
Trade Balance with U.S.	1.6	-1.2	-3.9	-1.4	n.a.	5
Current Account	-4.5	-8.5	-23	-8.2	35	25.5
(% GDP)	-1.2	-2.0	-4.7	-1.9	11.9	n.a.
Overall Balance	n.a.	7.03	25	-31.2	5.1	n.a.
External Debt						July
Stock of external debt	n.a.	n.a.	160.7	154.4	153.8	152.3
(% GDP)	n.a.	n.a.	33.1	34.9	51.2	n.a.
Of which Short-term	n.a.	n.a.	100	68.4	43	38.4
(% GDP)	n.a.	n.a.	20.6	15.4	14.3	n.a.
Debt Service (% G&S)	6	5	6	8.9	8.9	n.a.
International Reserves						Nov. 1
US$ Billions	25.7	32.7	33.2	7.1	n.a.	49.29
Months of Import Cover	3.5	3.1	2.7	0.6	n.a.	5.9
Exchange Rate						Nov. 16
Nominal Rate (end year)	786.5	775.8	840.9	1600.0	n.a.	1316
% change vs. US $ (+ = apprec.)	n.a.	4.2	-7.7	-47.4	n.a	21.5
REER (1990=100)	84.3	85.7	88.1	83.5	n.a	Oct. 65.3
% change vs. US $ (+ = apprec.)	n.a.	1.7	2.8	-5.2	n.a.	-21.7
Standard & Poor's Rating						BB+
Moody's Rating						Ba1

Sources: IMF, Bank of Korea, J.P. Morgan, Bear Stearns, Embassy reporting

Withdrawal/Redaction Marker
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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007a. talking points	Bilateral with Han Duck-soo. (7 pages)	11/18/1998	P1/b(1)

COLLECTION:

Clinton Presidential Records
National Economic Council
Malcolm Lee
OA/Box Number: CF 1184

FOLDER TITLE:

Korea, President's Visit, November 1998 [2]

2009-0528-F
vz1412

RESTRICTION CODES

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

P1 National Security Classified Information [(a)(1) of the PRA]
P2 Relating to the appointment to Federal office [(a)(2) of the PRA]
P3 Release would violate a Federal statute [(a)(3) of the PRA]
P4 Release would disclose trade secrets or confidential commercial or financial information [(a)(4) of the PRA]
P5 Release would disclose confidential advice between the President and his advisors, or between such advisors [a)(5) of the PRA]
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b(9) Release would disclose geological or geophysical information concerning wells [(b)(9) of the FOIA]

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DOCUMENT NO. AND TYPE	SUBJECT/TITLE	DATE	RESTRICTION
007b. list	U.S. Government's Questions on Korean Steel. (2 pages)	11/18/1998	P1/b(1)

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