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The Negotiating Committee reconvened at 1400 hours.

General Helmick: We will go to paragraph 403. All relief and rehabilitation supplies still on hand or hereafter received shall be progressively transferred after the date of this agreement in order that the Government of the Republic of Korea shall assume, in an orderly manner, the responsibility for the receipt, allocation, distribution, and accounting for American financed supplies. In explanation this morning, we said that all relief supplies in the hands of the Government would be turned over to the Republic. These are relief supplies, which have not yet been turned over to the South Korean Interim Government, and which are on the water or under order from the United States. The Congress of the United States, when they appropriate money to purchase these supplies say they must be handled in a certain manner. And we have in the Military Government the Services of Civilian Supply, which handle these. And this agreement, this part of the agreement, asks that the Republic of Korea set up an organization which can handle these supplies in a way in which there is a proper accounting, which the Congress requires. The next sentence is: "The net won proceeds and accounts receivable derived from the sale of all relief and rehabilitation supplies shall be turned over to the Government of the Republic of Korea." The meaning of that is this: Many of the Civilian Supplies which were brought into Korea were sold. The grain, etc., was sold to the people. The proceeds of these sales were put in a special account. We had to account for that in a special account. From that account, we paid the Korean expenses of distributing the goods in Korea, and the remainder of that money, which is in that special account in the bank, will be turned over to the Republic of Korea. The next sentence is: "The Government of the Republic of Korea agrees to deposit these proceeds in a special account in its name."

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In other words, we ask, just as in the South Korean Interim Government, these funds be kept in a special account. The next sentence is: "Disbursement from this account will be made only for such purchases as are agreed upon between the Government of the Republic of Korea, and the senior representative in Korea of the Government of the United States of America." In the past, we have used that account to purchase raw materials for export or materials for export with which we can import raw materials for Korea. And the Congress of the United States, when we go before it to ask for aid funds, always inquires very carefully into how these funds have been spent. It is necessary to show to Congress when we ask for funds that the money from this fund has been spent for the good of the economy of the country. Are there are questions on this? (No comments) The cash on hand in that account is 4,843,377,856 won.

Mr. Lee: What is that from?

General Helmick: That is from the sale of Civilian Supplies of the Aid Program.

Mr. Chang: That includes the grain, etc., perishable goods?

General Helmick: Yes, that is the result of the sale of grain, etc.

General Helmick: Mr. Loren, the Accounts Receivable --

Mr. Loren: Yes, Sir. At the present time the Accounts Receivable and Supply are in excess of twenty-three billion.

General Helmick: It shows twenty-five down here?

Mr. Loren: The twenty-five includes some funds in the hands of disbursing officers, etc.

General Helmick: In addition to the cash in the bank of 4,800,000,000 odd won, there are accounts receivable of approximately twenty-three billion won. If there are no more questions on that, we will go to paragraph 404. Before I read that paragraph, may I make an explanation of the Foreign Liquidation Commission loan. About two or two and a half years ago, the United States had a great deal of equipment,

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which they had used during the War. They authorized the sale of that equipment through the Foreign Liquidation Commission. General Lerch, who was Military Governor at that time, negotiated a loan of 25,000,000 dollars. That money was restricted to the purchase of goods from the Foreign Liquidation Commission. He sent representatives to the Philippines, to the various islands of the Pacific, where there was this equipment, and arranged to buy certain equipment which could be used in Korea. Some of that equipment was new equipment; it had never been used. Other of that equipment had been used, but was in good shape. Still other of the equipment was badly used and was not worth very much. The representatives which were sent out negotiated for the purchase of this equipment, and the highest price that we paid for brand-new equipment was 50% of the cost price. Most of it was obtained at about 20%. Of the equipment which was badly used, we got most of it at around 10%. All in the Military Government felt it was a very good value for the money which was spent. We are asking, later on, in another paragraph, that Korea assume that loan, and we will go into the details at that time. The total selling price of the FLC materials sold is W1,844,000,000. That figure is shown in reference 404. This figure will be found, in part, in the cash account of W4,843,000,000 and, in part, in the Accounts Receivable of W23,221,643,064. It states that net proceeds in Korean currency derived from sales of certain property declared surplus to the Office of Foreign Liquidation Commissioner of the United States Department of State, and heretofore furnish to the Korean economy, which remain not expended, are hereby turned over to the Government of the Republic of Korea.

General Helmick: That completes Article I. Are there any questions on that, or shall we go on? (No comments) 405, Article II, states the Government of the United States of America undertakes full settlement of all imports from Japan for the Korean civilian economy, delivered prior to the effective date of this agreement, less the value of Korean exports shipped to Japan prior to the effective date of this agreement. What we

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have done is import many things for the economy of Korea from Japan. If you will turn to reference 405-1A, I think that is page 2, you will see at the bottom that the total of all Civilian Supplies amounts to 47,205,333 dollars. These are dollars, because in our trade with Japan we use a dollar account. That is in addition to the amount which was imported from the United States. In our trade with Japan, we sent to Japan and sold to Japan certain goods from Korea, and we balance that against this import. The exports, which we had sent to Japan from the beginning up until 1 July 1948, are 8,377,000 dollars. That is on page 5. In other words, the balance of trade in favor of Japan for which the United States agrees to make a settlement is about 39,000,000 dollars. And this Article agrees to take care of that existing bill, which the Government of Korea owed to Japan. Are there any questions on that? These explanations are very brief.

Mr. Lee: No, sir.

General Helmick: We go to Article III, which is paragraph 406. The Government of the United States of America transfers to the Government of the Republic of Korea any property in Korea which belonged to Germans. This is vested property belonging to Germans. The United States transfers its custody of that property to the Government of the Republic of Korea. The German property is comparatively little. I think reference 406 is it. It is very little, but an item that we want to get off the books. So far as we know, there are only a few houses in Inchon that belonged to Germans at one time.

Dr. Johnson: There is a slight error in the mimeographed reference. The only enemy property, other than Japanese, is German property; there is no other.

General Helmick: Article 407: The Government of the United States of America hereby transfers to the Government of the Republic of Korea, the Korean Foreign Exchange Bank shares now held and owned by the United States Army Military Government in Korea. All of the shares of stock

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of this bank are owned by the Military Government and are hereby transferred. There will also be transferred all assets and liabilities of such bank. The value of the shares is ₩200,000,000. That is the capitalized value. Additional assets of the bank are United States dollars 26,915,000; Hong Kong dollars 2,644,000; and pounds sterling 5,000. That is reference 407-1A. Most of these assets are deposits of foreign currency, and the South Korean Interim Government and USAMGIK are the largest depositors. The balances in the Government accounts are shown in reference 407-A2. You can see what those items are in that list.

Mr. Lee: How about liabilities?

General Helmick: The deposits are the liabilities against the assets.

Are there any questions on that?

General Helmick: The accounts of the Government in that bank are transferred. May we go on. (No comments) The Government of the United States of America hereby transfers to the Government of the Republic of Korea the net residual balances of foreign exchange now standing to the credit of the South Korean Interim Government in this bank, subject to allocation and use only after consultation with and concurrence of the senior representative in Korea of the Government of the United States of America. And the amount of that is the one shown in 407-A2. Pending further agreement between the Government of the Republic of Korea and the Government of the United States of America, existing foreign exchange controls shall be retained by the Government of the Republic of Korea. Foreign exchange is one of the most valuable assets of the Government. And the United States Congress states that when aid is given a country, that certain controls will be made by that government of foreign exchange. Until an aid agreement is made between Korea and the United States, we are asking that the present foreign exchange controls be maintained by the Korean government.

Mr. Chang: Let me ask a question. General Helmick, this is part of the scheme of the financial assistance by the United States Government?

General Helmick: Our whole foreign exchange control has been used toward keeping foreign exchange into the channels of bringing into Korea essential goods and not luxuries and things like that. We recognize that the Korean

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Government will require foreign exchange to send their envoys to Paris, and we will fully agree with that. We will ask, however, that foreign exchange be used to the maximum extent to bring into Korea the things that are essential to the Korean economy, and we will ask for this concession only until we enter into an aid agreement. I think at the present time President Rhee is considering asking for aid, and when that aid agreement is drawn up, that will supersede this. This is a temporary agreement.

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General Helmick: Shall we go on with Article V?

General Lee: Yes.

General Helmick: This article deals with the Japanese vested property, and we ask that the Government of Korea recognize and ratify such disposition of the Japanese public and private property which was vested under Ordinance No. 33 which has already been affected by the United States Army Military Government in Korea. In other words, we ask that they accept what has been done by Military Government under Ordinance No. 33 in transferring titles by sales.

General Lee: Does it mean that it could be changed when the Government of Korea issues a new law?

General Helmick: We ask that they just accept what we have done in the past. We have sold various parts of this property, the money has been placed in the account of the Property Custodian and we ask that the titles which are given for the property which is sold be accepted.

General Lee: I misunderstood the first sentence to be the new government will accept Ordinance No. 33.

Dr. Johnson: Just about 1% of the vested property has been sold.

General Helmick: I think if we go over the rest of the paragraph and then ask questions. I think this is self explanatory except for reservations of acquisition and use of property by the government of the United States of America contained in Articles I and IX of this agreement. The remaining vested and unsold property, together with all accounts receivable and sales contracts, shall be transferred to the government of Korea in the following way: To draw a picture, this is all the property there is, some has already been sold; on that we ask that the titles be recognized. There is a small amount of property which we will ask to be allowed to purchase for the Diplomatic Mission and a small amount we ask to use for the Aid Mission. All of the other to be transferred to the Government of the Republic of Korea.

General Lee: How about managerships of certain vested property; do we have to respect it?

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General Helmick: No, all cash, bank deposits and liquid assets are hereby transferred the effective date of this agreement. All other vested property that is to be transferred, together with all the necessary records, will be turned over progressively to the Government of the Republic of Korea, with all of the records which we have, as rapidly as an orderly transfer can be made. These various records, inventories, maps and deeds are the necessary records required to turn over the property. Now, in order to accomplish this orderly transfer, we ask the Government of the Republic of Korea to make available Korean personnel needed to assist the Property Custodian to effect the transfer of property and to prepare the necessary documents. We have custody of the property and it is a very large job to turn this over properly. The Republic of Korea will need an organization to which this can be turned over and we ask that you furnish this organization which will be able to take over as quickly as possible the job of managing and disposing of vested properties. The expenses of this organization will be borne by the Korean Government.

In our Property Custodian's organization we have made the income from the property support all the Korean employees - all employees except the Americans. So when we turn over the vested property we will be in a position to pay the Americans but we will have no won to pay Koreans who are working in the organization.

We ask the Government of the Republic of Korea to establish a separate governmental agency to receive and administer for the benefit of the Korean people the property which was heretofore vested under Ordinance No. 33. We have prepared here a chart of the organization which is now handling vested property.

Mr. Chang: In accordance with our Constitution, General Helmick, we must have a consent of the National Assembly to establish an independent body. But, the Prime Minister can issue an order to have an independent body of his own to receive vested property.

General Helmick: That is what we suggest be done. A separate organization does not necessarily mean a separate ministry, but it must mean an organization which is devoted to that subject.

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Mr. Chang: We will set up an independent body under Finance. (Discussion)
The Prime Minister will set up a bureau of his own.

General Helmick: That is all right. We have found, General Lee, that this is a tremendous task and there should be one man to whom the head of the government can go to deal with this question. It should be a distinct organization. Whether it is under you or under the Department of Finance is of no concern to us. We wish you to work it out the best way for yourselves.

Are there any questions?

General Lee: No questions.

General Helmick: We ask that the Government of Korea respect and protect the interests of Nationals of countries who were at war with the Japanese, whose properties the Japanese vested. This also includes claims by Nationals of countries at war with Japanese for damages to their property.

General Lee: Yes.

General Helmick: We ask that the Government of the Republic of Korea relieve the United States of all liability, including current and future claims, arising from the vesting, administration and the disposal of this vested property. We will turn over all the property and ask that you assume the claims against it.

General Lee: Certain expressions you use can be made very brief in Korean. You make it so long.

General Helmick: That is the language of lawyers. If you will look at reference 409, the items are given in pieces and the values are given in yen of the values of 1941. These are from the records of the Japanese Property Custodian. Are there any questions?

The next is paragraph 409, Article VI. This has to do with the property in Korea of United Nations' Nationals which was seized by the Japanese government under its war time regulation - vested by them. We ask that this be protected and preserved by the Government of the Republic of Korea until it is returned to its rightful owners, in case those owners request it is returned in a reasonable time.

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General Lee: We cannot be responsible for these properties because the Japanese government in Korea was different from the Interim Government because it was an enemy of the Korean nation. What they did in dealing with these properties was actually against the wishes of the Korean people.

General Helmick: What we ask is that the new Korean government be responsible in righting the injustice the Japanese government did. There are certain people of the United Nations who had their property seized by the Japanese. (Indicating): On page I of 409 there is a summary from the Japanese records of the property which the Japanese took over.

Mr. Chang: Some allied properties such as buildings have been destroyed by the Japanese. We cannot be responsible for those buildings.

General Lee: How about adding one more sentence in 409? Upon the request of the Military Government of the United States the Koreans will take over the custodianship of the United Nations' Nationals' properties mentioned in your transfer article 409 only.

General Helmick: May I explain this in a little more detail? On page 409 is property the Japanese took. According to their records, and we are not sure that is all the record, the Japanese records show that they sold, of this property here, this amount on the 2nd sheet and on the 3rd sheet this is what is still in the hands of the Property Custodian, as far as we know. We are asking in return for the tremendous amount of Japanese property turned over to you that you will give justice to the United Nations' Nationals.

There is one other point. We ask that the Government of the Republic of Korea undertake to compensate the owners for damage or loss of such property during the period that it was in the Japanese hands only to the same degree that compensation is paid to the Koreans for property in the same condition.

Mr. Chang: We understand fully.

General Helmick: We could not recover all the claims in the time we have been here, and we ask that the Korean government give justice to

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their own nationals and to the other nationals affected by the Japanese.

General Lee: I agree. (Indicating) I would like to have this part mentioned here to make it specific.

Mr. Drumright: This was taken from the Japanese records. We don't know whether it is complete.

General Lee: You haven't done this - why should we do it?

General Helmick: We have taken action in some cases. We did not have enough Americans to do it quickly. We knew we were not to be here very long. We have settled on a number of claims.

Mr. Drumright: Our military authorities did not let many people come over here. There are a lot of people who couldn't come and therefore many people have not been able to get their property back.

General Helmick: Shall we call this a day and meet tomorrow morning?

General Lee: Yes.

The meeting adjourned at 1605 hours.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between
the Government of the United States of America and the
Government of the Republic of Korea.

THIRD MEETING

18 August 1948 -- 1015 hours

Negotiators

Major General Charles G. Helmick	Lee, Bum Suk, Prime Minister
Mr. Everett F. Drumright	Yun, Chi Young, Minister, Home Affairs
	Chang, Taik Sang, Minister, Foreign Affairs

Also Present

Dr. Edgar A. J. Johnson	Mr. Min, Won Sik
Mr. Owen T. Jones	Mr. Koh, Chang Il
Mr. Allan Loren	Mr. Lee, Soon Taik
Dr. Wilhelm Anderson	Mr. Hong, Hyun Pyo
Dr. Ernest Fraenkel	Mr. Yu, Chin Oh
Dr. Paul J. Sturm	Interpreter: Kim, Kil Choon
Mr. John Z. Williams	Reporter: Luella Eldridge

General Helmick: Shall we proceed on Article VII? Is there anything that you would care to take up before we start in?

Mr. Lee: Lets start from Article VII - there are no questions to ask.

General Helmick: We will go to Article VII. "The Government of the United States of America and the Government of the Republic of Korea agree to collaborate in arranging a satisfactory settlement of any unpaid debt owing to the Soviet authorities in Korea for power furnished for the Korean economy from 9 September 1945, to the date of signing of this agreement. The Government of the United States of America further agrees to liquidate this debt whenever a fair value of the unpaid debt has been agreed upon by the representatives of the Soviet and United States authorities."

In reference 410 there is a copy of the agreement (that is 410-A1) which was made between the American Forces and the Russian Forces for power up to May 31, 1947. On the next page there is a statement of the power which was furnished by North Korea which is 837,000,000 kilowatts; the agreed price was 16,334,000 won. The Congress of the United States appropriated a sum of money for the specific purpose of paying for this

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bill, and we have ordered, and have gotten a large part of the equipment which the Russians asked in payment for that bill. Some of those goods have already been delivered to the Russians, 34% of the total bill has been paid by such deliveries to the Russians. That is given in reference 410-A2. Goods to the value of 36% of the bill are in warehouses in Seoul at the present time. That is given in paragraph 3 of 410-A2. About 17% is either coming to Korea or is somewhere in Korea but not in our warehouses. With regard to the remaining 13%, we have not been able to reach an agreement with the Russians on the exact equipment to furnish, but we have ordered electrical equipment very much in excess of this amount which we hope to be able to use in liquidating this bill. We had an understanding with the Russians that we would make arrangements for paying for the electricity after May 31, 1947, but we have never been able to reach an agreement with them. From the power which they have furnished, and from the understandings made with them, the amount of won which we owe them for the period after June 1, 1947, is about seventy-seven and a half million won, covering approximately 516,000,000 kwh. The United States agrees to liquidate these debts whenever a fair value can be agreed on - a fair value in dollars or in goods. The United States does not want to be in the position of negotiating with the North Korean Peoples Committee, but if a fair agreement can be reached between the Republic of Korea and the Koreans in the north for the settlement of this power bill, the United States will agree to liquidate that debt. This article was put in in order to permit the settlement of this debt which the United States and the Russians have not been able to reach an agreement on. We hope that your government will be more successful in arriving at a satisfactory solution. The agreements which we made with the Russians are part of your papers there. The goods which we have collected for the payment of that bill are not included in the equipment and supplies which are being turned over to the Korean government because they were purchased by us for that specific purpose and the Congressional law which gave us the money, stated that the goods must be used for that purpose. However, if

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when the occupation is completed no agreement has been reached on this, we will make a further agreement turning over these goods to you so that you can make a settlement for the claim. Are there any questions on this?

Mr. Chang: No questions, General.

General Helmick: We will go to Article VIII. Before I read this article I would like to give a rather brief explanation. It is the policy of the Government of the United States to pay for all supplies and services furnished to its military forces by liberated areas. In any liberated area the United States wishes to pay for the goods and services which its military forces get in that area. In other words, the United States does not wish to make a liberated area support its Army. Due to the laws - the appropriation laws by which the Army is given money by Congress - it was necessary that by June 30th we use money appropriated for use before June 30th, 1948. If we had not used the money by that date, it would have no longer been available. Therefore, shortly before June 30th the Military Government made a settlement on behalf of Korea with the United States for all of the goods and services furnished by Korea to the military forces through June 30th, 1948. The settlement for the period from 1 July 1948, until the completion of the troop withdrawal will be negotiated with the Government of the Republic of Korea. In arriving at a settlement in dollars for the goods and services furnished to the occupation forces before July 1948, a very careful consideration was given to the relative dollar and won prices. The over-all figure arrived at was \$35,210,000 as a fair value of the goods and services given to the United States military forces. The settlement was made in the following manner: The equivalent in won of \$11,372,000 was settled by return to the Military Government of 568,620,000 won which was held by the Army finance officer and valued by him at the official military conversion rate of fifty to one. This won was obtained by the Army finance officer as the result of payment of dollars to soldiers who desired to send money back to the United States through postal money orders or through checks. Soldiers were authorized to send money back to the United States and they turned in their won at the official rate and received dollars.

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Interpreter: When they used to receive their pay in won?

General Helmick: Yes. There is also a cash check in dollars of \$23,837,000 which was paid to the military government and that check was deposited in the Korean Foreign Exchange Bank to the credit of Military Government. In addition there was \$59,000 which the Army Exchange Service paid for the services and goods which they had purchased here. The won value of the goods and services given to the Army from the Korean economy was approximately ten billion won up to June 30, and the amount of cash which is deposited in the bank is the net amount - \$23,837,000. That is in the Korean Foreign Exchange Bank. The \$23,896,000 is part of the account which will be turned over in toto to the Korean government. The twenty-three million is in the bank to the credit of Military Government and will be turned over to the Government of the Republic of Korea. We will give you a copy of that agreement between Military Government and the United States Forces. The Military Government made this agreement because the Army had to accomplish the agreement before June 30th. I want to make sure that it is understood that the Army had to make a settlement before June 30, or their money would have gone back to Congress. They would have had to have gone back to Congress and asked them to appropriate money again which would have meant a delay of a year. They wanted to make that settlement with Korea. The Government of Korea was not established at that time so Military Government agreed to act as representative of Korea and would then ask the Korean government to accept the agreement.

I think it might be well to have a break now.

Meeting recessed at 1100 hours.

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General Helmick: In my preliminary explanation, I stated that the United States had given a net settlement of about 24 million dollars for goods and services which had been furnished to the Army from the beginning of the occupation through June 30, amounting to about 10 billion won. As also part of this agreement, the United States asks that the Government of the Republic of Korea agree to provide to the United States forces the property which they are now using; that is, give them free use of the property and to maintain it; that is, to see that it does not deteriorate during the period in which the troops are being withdrawn. This is also in Article I. The reason that we ask for the free rent of the buildings that we are in is that we have put much money into the improvements of these buildings and in new construction, which will be turned over to the Korean Government. All of the buildings built for and by the Army will be turned over to the Korean Government, and since all this will be turned over, we ask that we do not pay rent during the time that we remain.

Mr. Lee: I would like to have a little explanation of the maintenance of those buildings.

General Helmick: With regard to the maintenance of the buildings, as I explained in connection with Article I, 402-A7, I think, at the present time there are some 3,800 Korean personnel who are hired to maintain the various buildings. That is the personnel for which the Government paid up to June 30. In view of the fact that all of the buildings constructed by the military are being turned over to the Korean government, we ask that they permit us to remain in those buildings until we withdraw, and assume the cost of maintenance. We estimate, and I think it is a liberal estimate, about 9,538,000 won for labor per month for maintenance. We will ask also that the buildings be kept in repair--not any big repairs, but leaky roofs, things like that, and we will furnish all imported materials which are needed for the maintenance of the buildings. I think that is a general explanation. I would like to go through the details of the agreement here now.

Mr. Chang: General Lee worries about the difficulty of getting the materials in connection with the buildings. Since you tell us that you will help us by bringing the materials from the States, that will be all right.

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General Helmick: Any materials that have to be imported, that is, are not available locally, we will furnish. I will go over that article, which is a general explanation. Reading this: "The Government of the United States of America through the United States Army Military Government has reimbursed Korea, at a fair dollar value, for all goods, services, and facilities provided for and to the United States Army Forces in Korea from the period 9 September 1945 through 30 June 1948, inclusive." In other words, reimbursed for all services and goods and for all claims which can be made as a result of the occupation of Korea by the United States Army Forces during that period. 411-A4 gives the amount of claims which have been made against the Government to date. That may not be all of the claims, but we ask that the Republic of Korea assume and settle these claims and all future ones that may arise. The United States Army expects to withdraw before long, and we do not wish to have to have people remain behind to settle claims, so we are therefore asking that the Korean Government settle those claims and any other claims that may arise. The Government of the Republic of Korea agrees that this payment constitutes a full, final, and complete settlement for all goods and services provided to the United States Army Forces in Korea during the period of August 9, 1945 to June 30, 1948.

Mr. Lee: Does that include claims?

General Helmick: Yes, and for all claims of every kind and description. If we go down the paragraph, in the middle of the page--"The Government of the Republic of Korea also assumes and relieves the Government of the United States of America of all liabilities for funds used from the overdraft account in the Bank of Chosun entitled "United States Army Military Government in Korea Funding Account", I can explain that to you. This overdraft account in the Bank of Chosun entitled "United States Army Military Government in Korea Funding Account" is the account of the Finance Officer who paid for the services and goods that we obtained. In other words, we paid current bills from an overdraft account. The Government of the Republic of Korea now assumes and relieves the Finance Officer of this overdraft account in consideration for this \$23,896,000. The last sentence is an agreement of the Government of the Republic of Korea to permit us to continue

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to draw won with the understanding that at a later date we will settle in dollars thus obtained.

Mr. Loren: As of 15 August the approximate amount is 10,900,000 won, since we have credit balances in our disbursing accounts of 500,000,000 won, the net approximate figure as of 15 August will be 10,400,000 won. That is the account for which we settled for this 24 million dollars.

Mr. Chang: That is at 50 won against one dollar?

Mr. Loren: No, not on this amount. The 50 to one dollar applies only to the official conversions of American personnel from dollars to won. In the early days, it was 15 to one, but now it is 50 to one. It figures out approximately 400 won to one dollar in the settlement of the goods and services purchased here. What we considered was the value of the different categories of goods and supplies. Building materials, for instance, were purchased here at an extremely high rate--700 or 800 won to one dollar--labor was much less, but it all averaged out to the fair dollar value indicated above.

Mr. Lee: How about the exchange rate observed in the Chosen Exchange Bank? Is that 50 to one?

Mr. Loren: No, the last sales, when Koreans received dollar remittances, and they sold the dollars to Korean merchants for won, have been at 800 to one.

Mr. Lee: We have a little misunderstanding as to the effective won exchange rate. Is that strictly for Americans?

Mr. Loren: It is for military accounting purposes, and we have never permitted a free exchange at 50 to one. It is not a rate of exchange, we have avoided setting a rate of exchange for Korea. In this settlement, we figure the value of the goods and do not set an exchange rate.

General Helmick: I might explain that much of this money was spent for building houses, etc., which will remain and go to the Korean economy. So, it is not only the money that is paid for, but also the buildings, etc., which would be turned over. We figure that we have erected here buildings worth over 31 million dollars.

Mr. Chang: Being a poor family, we would like to get as much as we can.

Mr. Lee: O. K.

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General Helmick: The last sentence--"The Government of the Republic of Korea agrees that the Commanding General, United States Army Forces in Korea, shall continue to draw won from the overdraft account in the Bank of Chosun, entitled "United States Army Military Government in Korea Funding Account No. 2." The Government of the United States of America hereby agrees to pay to the Government of the Republic of Korea in dollars or in other United States assets the fair dollar value of all goods, and services procured in Korea with won drawn from that account." In other words, we would like to draw won to pay for the goods and services from now until the end of the occupation, and we will pay a fair dollar value, which will be negotiated at that time.

Mr. Chang: General Lee asks in the settlement of this overdraft, will you continue to have the 400 won against one rate?

General Helmick: It will be what rate is agreed upon as a reasonable rate between your Minister of Finance and the Fiscal Officer. The rates are not stable, but we will agree to a rate, which we will negotiate for, and which both parties consider agreeable. We negotiated the June settlement with the Military Governor. We will negotiate the later settlement with your Minister of Finance. We mentioned a funding account #2. This funding account was started July 1. That is, we cut everything off before July 1, and this funding account is from July 1 on. This is merely to furnish the American Army with won for which they can pay for goods and services, and we will settle in dollars with the Minister of Finance at what he agrees and we agree is a reasonable rate at the time of withdrawal. Are there any other questions on that? (No comments). I would suggest, General Lee, that we recess because the next article is long. We have only five minutes to twelve, and you have many things to do, I know. I think we can finish this at the next session.

Mr. Chang: No meeting this afternoon, General Helmick?

General Helmick: No meeting this afternoon.

Mr. Lee: I wish to have the translation finished before we meet.

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General Helmick: I think we can have that finished today. There is a great volume of these supporting papers, and if General Lee or the other negotiators would care to have any explanation or care to have someone appointed to confer with our experts, we would be glad to go into any detailed explanation. I think it would be well if everyone will regard this as very confidential, very secret, so that not too much rumor gets out.

Mr. Lee: We will keep it secret. If anything comes out in the newspaper reports, we better consider it as guess work, because even when we have the translations, the rumors they carry are not accurate. How about this annex, will that be translated too?

Dr. Johnson: We would be glad to put together in books for you, if you like, all the materials which have been passed out.

Mr. Lee: I am worried. If they are translated in one of the offices up there, they can't keep these confidential.

Dr. Johnson: The supporting documents are not classified. They are government statistics. They are just an open book.

The meeting adjourned at 12:00 o'clock.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between the Government of the United States of America and the Government of the Republic of Korea.

SPECIAL MEETING (Tab G)

20 August 1948 - 1010 hours

Negotiators

Major General Charles G. Helmick
Mr. Everett F. Drumright

Lee, Bum Suk, Prime Minister
Yun, Chi Young, Minister, Home Affairs
Chang, Taik Sang, Minister, Foreign Affairs

Also Present

Dr. Ernest Fraenkel
Dr. Paul J. Sturm
Mr. Allan Loren

Mr. Yu, Chin Oh

Interpreter: Dr. M. M. Lee
Reporter: Luella Eldridge

Mr. Lee: I reported the matters to the President. President Rhee said that he was in the midst of exchanging letters and notes between himself and General Hodge concerning this matter. Since the basic principles are not settled, he does not think there is any need of taking up that matter right now. Therefore, I and my two associates did not receive any power to discuss that matter in this meeting. He believes that the conference aiming at the transfer of the government affairs should go on as planned.

General Helmick: I must state to General Lee that I have been directed by General Hodge that until this is settled there can be no settlement of the property and financial agreement.

Mr. Lee: If that is the case, why not call off this meeting until that matter is settled.

General Helmick: There are two principal powers which must be turned over in the transfer of the government: one is the control of the security forces; the other is the control of finance and the physical machinery of the government. I think it would be very desirable to go on with the financial and property settlement; that is, to complete our examination of it. We cannot settle it, but at least we can go over the agreement so that we will have finished the whole paper.

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Mr. Lee: Since you said yesterday that unless we solved this matter there would not be any talk about transfer of government affairs - I understood it that way. If that is so and if this first thing is not settled, the second thing should not be taken up. But if you think we should go on and talk about transfer of finances and supplies, I am very glad to do it. I believe that this temporary military and security pact will be concluded because this is something that both parties are in need of. Therefore, I am very optimistic about the outcome of this and think it can be concluded within the very short future.

General Helmick: We can go ahead with this so that we will have examined the agreement carefully and fully and as soon as we have this other settled, an agreement can be reached.

Mr. Lee: I fully agree with you.

General Helmick: If I may ask for a short recess so that I may transmit this information to General Hodge.

Mr. Lee: That is all right. I am returning here the translation copy of the agreement.

Meeting recessed at 1025 hours.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between the Government of the United States of America and the Government of the Republic of Korea.

FOURTH MEETING

20 August 1948 - 1040 hours

Negotiators

Major General Charles G. Helmick	Lee, Bum Suk, Prime Minister
Mr. Everett F. Drumright	Yun, Chi Young, Minister, Home Affairs
	Chang, Taik Sang, Minister, Foreign Affairs

Also Present

Dr. Edgar A. J. Johnson	Mr. Min, Won Sik
Mr. Owen T. Jones	Mr. Koh, Chang Il
Mr. Allan Loren	Mr. Lee, Soon Taik
Dr. Wilhelm Anderson	Mr. Hong, Hyun Pyo
Dr. Ernest Fraenkel	Mr. Yu, Chin Oh
Dr. Paul J. Sturm	
	Interpreter: Kim, Kil Choon
	Reporter: Luella Eldridge

General Helmick: General Lee, that is the final part of the agreement with the translation. We had covered the agreement down to the beginning of Article IX, paragraph 412. This Article covers what we call the Foreign Liquidation Commission loan, the FLC loan. As I explained before, early in 1946, General Lerch made an agreement with the Foreign Liquidation Commission for a loan of twenty-five million dollars with which to purchase surplus supplies of the Military Forces of the United States. The property of the Military Forces was scattered in many parts of the Pacific; there was some in Japan, some in the Philippines, some in many of the Islands of the Pacific and some in Hawaii. We made a number of contracts with the Foreign Liquidation Commission in the various places for the purchase of goods which we thought would be useful to Korea. We made separate contracts with each place, depending upon the type of property which we wanted to get. For some of the property which was new, we paid as high as 50% of the cost. For property which had been used, we paid a much smaller amount, depending upon the condition in which the property was found. We feel that we got a very good value for the equipment which we obtained from the Foreign Liquidation Commission. Dr. Johnson is distributing a list of the articles which we obtained from the Foreign Liquidation Commission under this loan. The United States requests that the Government of the Republic of Korea

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will assume this loan. I would like to go over the list to show in general the type of property which we got. The groups which went out to select the property were given authority to select the things which they thought would be best for Korea, and in general their judgment was very good. In the case of some of the foodstuffs which were selected, some things came in which were not particularly suited for Korean consumption. We all remember the criticism which was raised when some candy was brought in. That, however, was a very small part of it and was an error in judgment on the part of those who selected that material. If you will look at 412-A2 in the list. There were automotive supplies, about half a million dollars worth; clothing such as blankets, shoes, underwear, etc., something over two million dollars; construction and road building machinery which we need very badly in Korea, a couple of million dollars. On page 2, engineering supplies such as pumps, transformers, generators, many tools and supplies. The candy about which there was so much criticism is included in the foodstuffs which is about one-eighth of a million dollars, \$132,000; hardware and medical supplies of which Korea needed a great deal; metal such as copper, steel, aluminum; office supplies and equipment for laundries and refrigerators, things like that were brought in to the amount of about two million dollars; railway rolling stock such as locomotives and boxcars; ships and small boats for the Department of Transportation and for the Coast Guard; signal supplies such as telephones and radios; marine supplies and engines amounting to maybe a million and a half dollars; and at the last, trucks amounting to about two and a half million dollars. In other words, this was equipment which in our best judgment was needed for the economy of Korea. The United States asks that the loan be assumed by the Korean Government, but that it be paid in Korean currency. The United States desires to use the Korean currency (use some of this currency) to purchase certain buildings and grounds which are desired for the Embassy, and it wishes to have a sufficient payment in the near future so that that property can be acquired as soon as possible. The remainder of the loan the United States desires to have paid from time to time in won and it desires to use that won for two purposes.

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It is desired that in the first payment the won be spent only for the acquisition of property, thereafter the won will be used to purchase any additional property, and the remainder to be used for educational programs. Those educational programs will be programs agreed upon mutually between the Ambassador and the Government of the Republic of Korea.

Dr. Johnson: Here is an explanation, General, of how those funds may be used for educational purposes under the Fulbright Act and the Smith-Mundt Act.

General Helmick: The repayment of Foreign Liquidation Commission loans are controlled by a United States law and that law indicates that it can be used for the education of Koreans in American Institutions in the Far East or in Korea. The greater part of this loan is planned to be spent on the educational program in Korea.

Mr. Lee: American educational institutions in Korea?

General Helmick: That is correct, isn't it? (Question addressed to Dr. Johnson)

Dr. Johnson: Yes, like the Teachers' Training Institute.

General Helmick: That is a general explanation of that Article and I would like to go over the Article in detail to see if there any any questions on the provisions. May I ask that they read the details in Korean and then ask any questions they wish to?

Interpreter: There are some corrections to be made in the translation.

General Helmick: Will you look it over?

Discussion in Korean about paragraph 413b.

General Helmick: We will ask for a sufficient payment of won the first year to pay for the buildings that we wish and thereafter we will ask for payments to buy any additional buildings or property, plus the amount of the educational program that we will put on for that year. Now there is a provision later on which says that we will not ask for a payment in won equivalent to more than five million dollars in any one year, and I think that the five million dollars is much more than we expect to ask in any one year.

Mr. Lee: Will those buildings you have in mind be government buildings?

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General Helmick: Some are vested.

Dr. Johnson: The list was given out several days ago.

Interpreter: What they are worrying about is if one dollar will be four hundred won.

General Helmick: We will have, which we will give you in a short time, a supplement which shows the buildings which we shall ask to acquire.

Dr. Johnson: That has been distributed - the list of buildings has been distributed.

General Helmick: That is 402-b2. I think that information was given the other day, and in that supplement also there will be a list of buildings which we shall ask to occupy temporarily.

Meeting recessed at 1115 hours.

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General Helmick: Was there a question that General Lee had?

Mr. Lee: I am satisfied with the answer. Without your detailed information as to how to use this payment for the loan, I know that the American Government will spend the money in won in Korea for common benefit of the United States Government and Korean Government. However, since it will be disposed of as the United States Government wishes, the Korean Government has no voice in how to dispose of the money. If you could consider appointing a joint committee of Americans and Koreans to study how to use the money here, I will feel more grateful and appreciative.

General Helmick: I can assure General Lee that in the educational program, the Korean Government will be consulted on the type of program, and the type of education, and the way that the money is spent. Dr. Johnson assures me that under the Fulbright Act it provides that this is done by both Governments together. It is not just the United States alone which says who will do this, but it is what Korea wishes as well as what the United States wishes.

Mr. Drumright: The United States will establish an educational foundation. The majority of the members of the foundation will be Americans. But Koreans will form a minority of the members of the foundation, and they can offer their suggestions on how it will function.

General Helmick: It states here (ref 412-C1) that the Chief of the United States Mission forms an educational foundation for that country; that is, it forms a group of men who will control. A majority of the members must be Americans, since the money is in an American foreign balance, but foreign nationals are appointed with full voting rights and normally form a large minority. Two or three out of seven or eight or four out of nine of the members will be Koreans.

Mr. Drumright: For example, if you have a nine man board, you might have four Koreans on it.

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Mr. Chang: General Lee wishes for the best. That is all he can say.

General Helmick: Are there any other questions on Article IX?

Mr. Lee: I do not want to make a comment based on a legal aspect on this problem, but I would like to make a request of you, as a friend, to see to it that Koreans will not have too heavy a burden, which will endanger Korean economy by making the Government pay big amounts of money for the loan in each year.

General Helmick: Is the twenty year clause in this?

Dr. Johnson: No, sir, it is not in the revised agreement.

General Helmick: All of us are very familiar with the economy of Korea and the difficulty of paying any large loan like this. It is set up now so that the United States agrees not to ask for more than the equivalent of \$5,000,000 in any one year. We all know that that would be a very heavy burden upon the economy of Korea. If you wish, we can agree to spread it over a longer time. We had in mind in the agreement which General Lerch signed, which said it would be paid over a period of 20 years, and that was what we had in mind in this loan. It is not written into that contract at this time, but if you would care to have that stated that way, I am prepared to include that in this contract.

Mr. Chang: Besides that, may I suggest something, which is part of this discussion. The ability of the Koreans to pay the loan will overrule the terms of this agreement, General Helmick.

General Helmick: That is always something--

Mr. Chang: Do you understand what I mean, Mr. Drumright? The ability of the Koreans to pay the loan will overrule the terms, which we are going to make at this time.

Mr. Drumright: We would suggest, if you want that, we could spread it out over a stated period of years so you could be sure it would not be too much of a

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burden in any one year. Besides, to start with, we are going to buy some real property from you, and we will pay you for that, and that will take a fair amount to start with in the very first payment.

General Helmick: Then I will have a revision prepared in which we will ask for a payment the first year sufficient to cover the purchase price of the property which we have in mind, and will spread the remainder of that loan out in nineteen additional installments so that will cover a twenty-year period, equal dollar value in won as to the principal to be paid.

Mr. Lee: We would like to have that new revised clause inserted in the contract.

General Helmick: I will have that written up, and the revision inserted.

Mr. Lee: In regard to Paragraph 417 concerning the exchange rate, does this paragraph 417 mean 400 won to one dollar or future exchange rate?

General Helmick: The future exchange rate. As I understand this, it means if there is an official rate of exchange, that the United States will be given that rate of exchange for figuring the won value of the annual installments. And it will be so that no one else will receive a more favorable rate of exchange. We will receive as favorable a rate of exchange as is given legally, not the black market rate of exchange. The rate of exchange, say on which we agree this year, will be either on an agreed dollar value of the properties concerned, or an agreed won rate, based upon an agreement between the American authorities and the Korean authorities.

Mr. Drumright: That is, in regard to purchasing properties for the mission, The supplement provides for a three-man board - one American, one Korean and one person to be chosen by those two, who will be the chairman, and they will decide on the value of the property.

Mr. Lee: Your explanation on buying the properties, that is just a part of the inter-loan, but this paragraph 417 provision is for the entire loan, not

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for property and particularly the buildings alone. I would like to have one clause amended in this part, which reads: "that rate most favorable to the United States." Instead of that, I would like to suggest to insert, "a fair exchange rate."

General Helmick: May I have my legal adviser consider that, and may I give an answer this afternoon on that? That is the intent of this clause, that the United States receive the same rate as anyone else on that; any reasonable rate. May I give an answer on that this afternoon?

Mr. Lee: It is very difficult to agree to accept this statement, which reads: "that rate most favorable to the United States."

General Helmick: Read the whole thing - "that rate most favorable to the United States, which is available to any party" - to any party, in other words, that means to anyone else. We get the same rate as anyone else.

Mr. Lee: The reason why I requested a little change on that is that I am worried that if this is known to the public, they may misunderstand the whole motive, because in Korean translation, it sounds not so good.

General Helmick: I would be very glad to discuss that and make the wording so that it indicates that the United States will get as good a rate as anyone else and no more than that.

Mr. Chang: The spirit of the agreement has a different meaning in Korean translation. General Lee misunderstood. I pointed out in the original English, the spirit is quite different from what it is when translated in Korean.

Mr. Drumright: In other words, Mr. Chang, if you set a rate of 400 to one, and that is the best rate you set, we only ask that we get the same rate.

Mr. Chang: That is not the best rate; that is the black market rate.

Mr. Drumright: That is, any lawful rate, provided it is lawful.

Mr. Chang: General Lee misunderstood by reading the Korean translation.

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so I explained to him as it is written in English. It is not pointed out in the Korean translation.

Mr. Drumright: All we want is the best official, legal rate that you give.

General Helmick: May I ask that General Lee have a redraft made in Korean of what he would like to suggest, and we will then consider that.

Mr. Chang: This part is not translated: "It is available to any party as well as it is available to all."

Mr. Lee: It is translated, but not accurately.

Mr. Chang: Not only not accurately, but we couldn't find any meaning of it. I explained to him what is written in English.

General Helmick: May we ask General Lee to have the Korean draft to express what he would like.

Mr. Drumright: We can translate this again.

Mr. Chang: What we want is this, General Helmick. We want to put this clause in this agreement, and we shall be perfectly satisfied: "The future exchange rate will be the most favorable for the Korean government."

Mr. Drumright: All we want is whatever you give -- the most favorable rate that you give. All we ask is the most favorable rate that you set. Whatever your rate is, the most favorable rate that you set is what we ask.

General Helmick: I suggest that we appoint a committee of Mr. Loren and say Mr. Hong, and some other person--anyone else that you wish to appoint--to study this matter and then give us their best recommendations on the matter. Excuse me, Mr. Loren has another appointment, and I will substitute Dr. Anderson.

Mr. Lee: We appoint Mr. Hong and Mr. Lee Sun Paik.

General Helmick: Is that satisfactory to everyone. (No comment)

Mr. Lee: Another suggestion I would like to make on paragraph 416 e, which says "the first payment will be made by July 1, 1949."

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General Helmick: That merely says in any fiscal year, beginning 1 July. That is our fiscal year.

Mr. Lee: July 1 is not favorable for the Korean Government, because the fiscal year starts on April 1 each year, and all the revenues do not come in by July 1, so if we have to pay the sum on July 1, we have to borrow money from some other source to pay.

General Helmick: As I see this, in the United States the fiscal year is from 1 July to 30 June. That merely states in any one fiscal year from 1 July to the next 30 June, we will not request more than \$5,000,000 in that year, not necessarily on the first of July but in that year, not in the calendar year but in the fiscal year, which begins 1 July.

Mr. Lee: It is clear.

General Helmick: And by making this in 19 equal installments, this will go out, and this will not apply. I suggest that the committee of Dr. Anderson and Mr. Hong and Mr. Lee Sun Paik, if they meet at 1:30, they may be able to work out some wording so that when we meet at 2:00, they may have something for us. I also suggest we take a recess for lunch.

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General Helmick: May I read into the record what this is. The committee designated to revise the wording of paragraph 417 f has submitted the following draft: "The rate of exchange for each transaction under this Article for which a rate of exchange is required shall be the most favorable rate lawfully available to any party at the time of such transaction. Until such time as a rate of exchange has been lawfully established, the rate of exchange shall be that rate which is mutually agreed upon between the two governments. The two governments will appoint their representatives to fix the rate of exchange after signing this agreement." I think that the last sentence is what we would call an administrative detail in carrying this out and need not be included in this larger agreement. I can agree that this will be done without putting it in this agreement, and the word "mutually" which I inserted indicated that it would be by agreement between the two of us and our representatives would arrive at that. If that is agreeable, I will present this to General Hodge, and it will have to be radioed to Washington, I think, for agreement also.

Dr. Fraenkel: General, I understood that the last sentence goes out?

General Helmick: The last sentence will go out because I assured them that the word "mutually" meant it would be done by agreement, and we will agree to appoint representatives as soon as possible.

Mr. Lee: If there is no serious objection, I would like to suggest we include the last sentence.

General Helmick: As a matter of policy, we do not like to put in an agreement like this, which is a very formal agreement--matters which we can do without. I can assure you, General Lee, that we will appoint the representatives immediately after the signing of the agreement. That is something we can assure you will be done here administratively. The other things are things on which we must have authority from Washington. The mutual agreement indicates that it must be arrived at between us.

Interpreter: They are not worried about the "mutually." They want it immediately after signing.

General Helmick: They can have it immediately after signing.

Mr. Lee: All right, sir.

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General Helmick: Thank you very much. On paragraph 413b, we have drafted up the following change: "The Government of the Republic of Korea shall, in accordance with paragraph "e" of this Article, pay in Korean currency all or part of the balance due under the indebtedness set forth in this Article and the Government of the United States shall credit the balance due with the United States dollar equivalent of such currency." That is 413b. (Discussion with Mr. Jones)

We will change paragraph 413b which in the present reading states: "At such times and in such amounts as shall be specified by the Government of the United States of America." If you will turn to 413, please. That is on page 11. We wish to eliminate the words, "At such times and in such amounts as shall be specified by the Government of the United States of America." We wish to take those out and we wish to put in, "The Government of the Republic of Korea shall pay," and we wish to put in the following words, "in accordance with paragraph 'e' of this Article." Then we want to say "The Government of the Republic of Korea shall pay. . . in satisfaction of all or part of the balance then due under the indebtedness set forth in this Article, including interest due and unpaid, if any, less any credits made for Korean currency as provided in paragraph 'b' of this Article." We wish to cut out, "as provided in paragraph 'b' of this Article."

Interpreter: Are those all the changes?

General Helmick: Those are all the changes in this paragraph and what we are doing there is deleting references to the manner in which the debt shall be paid, and this says it will be paid in accordance with paragraph "e" and we are revising paragraph "e". In paragraph "e" we have made some changes. "Except as may be provided by special agreement between the two governments, the first payment by the Government of the Republic of Korea shall be in the form of buildings and property of a value to be determined by mutual appraisal." The buildings and property indicated in the supplement to this Article of a value to be determined by mutual appraisal.

Mr. Lee: I would like to have this entire Article held until there have been revisions in the translation.

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General Helmick: Shall we go to the other Articles now?

Mr. Lee: Yes.

General Helmick: We will have a complete re-draft of that Article and a translation. We will go to Article 10. That is the supplement which I just referred to in this Article. It is the list of buildings which are desired. This is the supplement which deals with the properties which are desired. This covers the transfer of real property - that means houses and land - in return for surplus property furnished to Korea. "Whereas the settlement between Korea and the United States provides in Article IX that at the request of the United States, Korea shall deliver title to such property located in Korea in which the United States has an interest, and whereas Korea has agreed in section 'd' of this Article to make available property desired by the United States at prices to be agreed on by the governments, and whereas the United States has already selected certain properties which it desires to receive under the terms of the agreement referred to above, it is therefore agreed that Korea transfers to the United States at prices to be specified in dollars and to be determined by three recognized appraisers, one of whom shall be nominated by Korea, one by the United States, and the chairman selected by the two appraisers first chosen. The properties are designated as 'Annex A' which follows." This list on page 2 is the list which we have set up at the present time.

Dr. Johnson: And which was given out this morning as 402-b2.

General Helmick: That will then be incorporated into Article IX, the revised version which will be available tomorrow. We will have this very carefully drawn up with Article IX as changed so that we can go over it, and it will be translated.

Dr. Johnson: That was translated very hastily and you may want to verify that translation.

General Helmick: It also appears that the English was drawn up hastily and it is very obscure.

Mr. Lee: How about holding this until tomorrow?

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General Helmick: All right. This can be translated much more carefully and the English made clearer. What it means is that for the first payment we wish to have these houses and the remainder we will divide up into nineteen parts to be paid over a period of time. Let us go to Article X. I think that is simpler. Article X, "The Government of the Republic of Korea hereby agrees that it will not permit the re-export or diversion of equipment, supplies and other property furnished to it by the Government of the United States of America under the terms of this agreement unless such re-export or diversion is approved by a duly authorized representative of the Government of the United States of America."

Mr. Chang: Thoroughly O.K., General Helmick - nothing to discuss about it.

General Helmick: In case of re-export or in case of things --

Mr. Chang: That is exactly what we are doing at the present time.

Mr. Lee: This is a provision to stop exporting to Russia.

General Helmick: Unless we can get more of what we want. Article XI, "The Government of the Republic of Korea agrees to continue in full force and effect all existing laws, ordinances, public acts and regulations of the United States Army Military Government in Korea and/or of the South Korean Interim Government until repealed or amended by the Government of the Republic of Korea."

Interpreter: No need of reading that in Korean.

Mr. Chang: That is a formality.

General Helmick: When we discussed this before, I think the question was raised regarding Proclamations I and II. Our legal advisers indicated they thought that with the transfer of the government, Proclamations I and II became inoperative and we have radioed to General MacArthur to find out if that is the opinion of his legal authorities, because he issued the proclamations. We have asked General MacArthur, in case his legal authorities do not agree with us, to rescind those two proclamations.

Interpreter: Mr. Chang does not want to see them abolished. He would like to have you retain them until they draw a new law.

Mr. Chang: Both those articles are very necessary at the present time until we make a law to cover Proclamation Number II.

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General Helmick: We will not raise it ourselves.

Mr. Chang: I don't think it is necessary to change the laws. Keep it quiet and we will utilize it.

General Helmick: Article XII. "Pending negotiations of mutually satisfactory treaties of amity and commerce, it is agreed that the rights and privileges now enjoyed by United Nations Nationals and firms engaged in lawful pursuits in Korea, shall be respected and affirmed."

Mr. Lee: I would like to have some explanations of the privileges mentioned in this Article.

General Helmick: May I explain that one of the first acts between the United States and the Government of the Republic of Korea will be, we hope, the negotiation of a treaty of amity and commerce to make arrangements for mutual trade. The firms which are referred to here are firms which are now in Korea and doing business under the licenses which were issued by the Military Government and by the South Korean Interim Government and what we wish is the continuation of those licenses until we can arrange for the treaty of amity and commerce. There are three American steamship companies; there is Northwest Airlines; the Coca Cola Company; the Radio Corporation of America, and there are the three oil companies who have representatives here who are members of the Military Government in the control of petroleum, and there is the Central Motion Picture Exchange. Those are American firms. The British firms are two shipping companies, the Roy Farrell Export-Import Company (Australian); a Canadian trader; the Southseas Corporation, Ltd.; and the British Commonwealth Film Corporation, Ltd. There are no French firms and there are about six Chinese firms. We do not have the names of those. These companies are all operating services which Korea needs and this Article merely asks that they go on as they are now until we can arrange for a treaty of commerce and amity.

Meeting recessed at 1510 hours.

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General Helmick: We go to Article XIII. The administrative control of the accounts, properties, and operating facilities transferred to the Government of the Republic of Korea by this agreement shall be turned over in a progressive and orderly manner to the authorized officials of the Government of the Republic of Korea as rapidly as the Government of the Republic of Korea is prepared to assume such operations and responsibilities, in no case later than ninety days from the effective date of this agreement.

Mr. Lee: We would like to have General Helmick explain the term, which states: "in no case later than ninety days from the effective date of this agreement."

General Helmick: We expect that everything must be turned over or should be turned over by that time. That is the far limit. We expect it to be done much more faster than that. That is to make a final date when things must be turned over.

Mr. Chang: General Helmick, in practice, there may be a turn over later than ninety days in some particular departmental functions, but we are thinking of the public psychology on this transfer matter, so we hope you would change the date to thirty days. Not because we are hurrying up in taking up the governmental functions, but because of public psychology and other matters, for the newspapers are beginning to talk about the transfer and they are trying to destroy the credit of the new government; so, therefore, it would be more favorable to us if we have this date changed to thirty days. It may be later than thirty days or later than ninety days in some departmental functions.

Mr. Drumright: Let's cut the whole thing out.

Mr. Chang: It is better to change the date to thirty days. It is only for public psychology because the newspapers are beginning to talk. The Communists are starting to induce the people into thinking that the Americans are not really transferring the government functions.

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Dr. Fraenkel: This is a guarantee that it be done at a certain time.

Mr. Chang: It would be favorable to the new government to set the date at a certain time.

General Holnick: I think the vested properties and USAMGIK Services of Civilian Supplies are things which will require more time to turn over.

Mr. Chang: That is what I have been telling you. In some departmental functions it may be later than ninety days or later, maybe 200 days, but the psychological effect on our government will be more favorable if we put it at a certain positive date, because the Communists are already propagandizing to the people that the American Government is purposely trying to postpone the transfer of the governmental functions. They try to destroy the credit of the new government, so it will be better to set it at the shortest possible time.

Mr. Drumright: Let us leave it out entirely.

Mr. Chang: We don't mean to take over the government in a few days, but it is merely for public psychology. It will do us a favor and not do harm to the Military Government.

General Helnick: Let us do this: "as authorized, as rapidly as the Government of the Republic of Korea is ready to assume such operations and responsibilities" and just scratch out the whole thing.

Mr. Chang: It will be worse if you scratch out the whole thing. They will tell the people there is no limitation on the transfer of the government. It will give a worse effect, if you scratch out the whole thing.

Mr. Drumright: I don't know whether we can make a transfer in thirty days.

Mr. Chang: As I explained, Mr. Drumright, we don't mean to take over the whole thing within thirty days, but in order to stabilize the public opinion on the transfer, besides, it will do us a favor by shortening the date of transfer.

Mr. Drumright: Let's take the date out altogether.

Mr. Chang: That is merely a suggestion.

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General Helmick: In regard to this, Chief Chang, this is a contract; that is, an agreement, and the ninety days was put in there for certain activities such as the Services of Civilian Supply. We visualized that, in order to turn over the accounts and the activities of the Services of Civilian Supply, you would have to organize a special activity in the Korean Government to handle that. It is a very specialized matter to handle supplies. The others, I am certain they could do it in thirty days, but we cannot put thirty days in here and sign it for the Government of the United States, because it is a contract, and it would mean that the Government of the United States would say at the end of 30 days, here it is, even if it meant the thing would not be turned over properly. I realize the very bad psychology of ninety days, because they will look at the ninety days and say they won't turn over anything for ninety days. That is not what we have in mind at all.

Mr. Chang: We can make a better choice, by dividing the dates of this agreement. Say, therefore, in some governmental functions the transfers will be done within such and such a time, but in some other particular governmental functions, it will be done within ninety days. That will smooth out the matter. General Helmick, what do you think?

Dr. Johnson: I think the best thing will be to leave that line out.

Mr. Chang: If you leave that line out, the public will say the transfer of the government functions will be endless. It will give them material for propaganda.

General Helmick: I don't know, Chief Chang, how the Korean reads, but in the English, of course, as you can see, it says, "it will be done as rapidly as the Government of the Republic of Korea is prepared to assume such operations, etc."

Mr. Chang: We understand the spirit of the agreement in full, General Helmick, but what we are worried about is the psychological effect and giving

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propaganda material for the Communists and anti-government groups to utilize this agreement for their propaganda purposes. We don't want to take your Civilian Supplies within thirty days or things like that, because we have no machinery, and it is too complex to take the Civilian Supplies within thirty days, and it would be hopeless, but, as I have been telling you now, the anti-government groups, including the Communists and some Rightist groups are utilizing this for their propaganda purposes, and, as you know, the government is very weak, and we don't want any propaganda, and we don't want any propaganda against us at the present time. They are already reporting in the papers that the Americans say they are transferring the government functions, to the new government, but it is a lie; it is not true. They are already putting such articles in the papers. I think it will be very fair, General Helmick, if you put in there instead, in some governmental functions, they will be done in a very short while, but in other governmental functions, it will be done within ninety days. That will give us a fair chance, and it won't hurt you in the least. We are asking you a favor, Dr. Johnson, nothing else, to try to put this government in a strong position; that is all.

General Helmick: We wish to do everything that will help your government.

Mr. Chang: Dr. Johnson, if you consented to give up the Civilian Supplies at the present time, we would give that matter up as a hopeless case; however, everyone is trying to break up this government and shake its foundations. The newspapers are already reporting that the transfer business is mere propaganda. Americans will not give up their power, etc., and they are just undermining the foundation of the new government, and that is why if you put it in two ways, it will help us a great deal. We are asking you a favor; nothing else.

General Helmick: How would this be: "The administrative control over the accounts, properties, and operational facilities transferred to the Government

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of the Republic of Korea by this agreement shall be turned over in a progressively and orderly manner to the authorized officials of the Government of the Republic of Korea within thirty days from the effective date of this agreement, or as rapidly as the Government of the Republic of Korea is prepared to assume such operations and responsibilities, except that vested properties and relief and rehabilitation supplies shall be turned over not later than ninety days."

Mr. Chang: Perfect, General Helmick, perfect. As I told you, we are not hurrying to take up the things, but for the sake of stopping the public propaganda.

Mr. Lee: Thank you very much, General Helmick. We know that it is impossible to take over the entire functions within thirty days, but we are concerned with subversive propaganda.

General Helmick: We are equally concerned.

Mr. Lee: One more question concerning section XIII. Commencing with the third line, "shall be turned over in a progressively and orderly manner to the authorized officials of the Government of the Republic of Korea within thirty days or as rapidly as the Government of the Republic of Korea is prepared to assume such operations." What is the standard to judge if the Korean government is prepared or not.

General Helmick: That is as was set out in General Dean's letter when the Minister and the Adviser and the Director agree, we will turn it right over. General Hodge will O.K. the immediate turn over at that time. Paragraph 422. This is done in duplicate, in the English and Korean languages at Seoul, Korea, such and such a day in August 1948. The English and Korean texts shall be equal in force, but in the case of a divergence, the English text shall prevail. In other words, we use the English text as the basis of interpretation. Each text is authority, but as this disposes of a great deal of property, it will have to be used in the United States, and we are asking

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that the English text be the one for interpretation.

(At this point during the conference, the Korean interpreter informed the American delegates of the committee that the Korean members were discussing whether this agreement should be sent over to the Assembly for final approval or not, and that Mr. Yu was giving the legal interpretation.)

Mr. Yu: In some sense, we can legally interpret this as a treaty. If this is considered as a treaty, we will have to send it to the Assembly. If this is sent to the Assembly for approval, there will be many difficulties to face, and there are members of the Assembly who will interfere.

Mr. Drumright: That is something you will have in every assembly, everywhere. Somebody will pick up a row about that.

Mr. Chang: I don't consider that as a treaty to be sent to the Assembly for approval, and if we sent it there, it will never come back. In our constitution, a treaty should be presented to the Assembly. I include this as an agreement and contract between the United States Government and the Korean Government, but if this contract is presented to the Assembly for approval, it will take a year or may not come back at all. It may be an agreement between President Rhee.

Dr. Johnson: No, sir, it is between the Government of the Republic of Korea and the Government of the United States of America.

General Helmick: It is a working agreement for the transfer, and it is unfortunate if it could not be ratified very quickly, because the more quickly it can be ratified, the quicker the transfer.

Dr. Fraenkel: In America, in France, and other continental countries, it is frequently provided that parliament and national assemblies authorize by law the government to conclude international agreements on certain subject matters, and that authorization is the consent in the meaning of the constitution for the people. I raise a question. Is it possible that here in Korea your national assembly, by law, authorizes President Rhee to conclude this settlement with the United States in the meaning of Article 42 of the Constitution? That is my question.

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Mr. Yu: The President can sign the treaty; however, it should be ratified by the assembly.

Dr. Fraenkel: That is certainly correct that the President can sign it, but under that theory, the signature alone would not be valid. The question I am raising is whether the consent of the National Assembly can be given in advance by authorization or after having taken cognizance of the contents of the treaty. I would like to give one historical situation, which is the following case: France had a constitution, which is very similar in this respect to your constitution. In 1871, the French National Assembly authorized the French government to conclude a treaty with Germany, which they authorized in advance, and considered that to be the consent in the meaning of the French Constitution, which, for all fact and purpose, is identical to yours.

Mr. Yu: I don't think that we can do that here in Korea according to the Korean Constitution. It has to be sent to the Assembly.

General Helmick: The situation which faces the Government of Korea, at the present time, is one of great graveness, for all concerned. All of us want to make the turn over in the quickest possible way. We have gone over this agreement, and I think that it is a generous agreement. It is one which Korea can accept very easily. However, it is a very complicated agreement, and one which we all realize will raise many questions if it is submitted to the legislature. As Dr. Fraenkel suggested, if President Rhee could state to the legislature that the matter is one of the utmost importance to the whole government now, and in order to complete the turn-over just as fast as possible, he might ask them for authority to ratify or to sign this agreement, if, in his judgment, it were satisfactory for Korea. This action would permit the turn-over to be done immediately, as soon as it is accepted by the Korean government, and it would eliminate a very difficult presentation or a long argument with the assembly. Dr. Fraenkel believes it is within the authority of the Constitution for the

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assembly to take that action. I think that the President could present to the Assembly the tremendous importance of speed in accepting the turn over of the government, and it would impress the Assembly with the importance of the matter and would have them give him that authority. I would suggest very strongly that some action such as that be taken if it is at all possible in order to speed the turn-over, and to avoid the delay which this going to the Assembly would undoubtedly entail.

Mr. Lee: Your suggestion is very helpful. We will try to study the possibility of doing as you advise.

General Helmick: If I may suggest it, Dr. Fraenkel and Dean Pergler are authorities of world-wide renown on constitutions and international law, and I would be very glad if they could confer with Dr. Yu to discuss the matter thoroughly with him before he gives a final decision on it. I don't want to suggest anything which will by-pass or take away the powers of the Assembly, but I would consent to anything which will permit speed in the turn over. I think we are all interested in that.

Mr. Lee: We'll take your suggestion as personal advice, and also Mr. Yu will be advised by two lawyers through his personal contact.

General Helmick: This is entirely an informal suggestion.

Mr. Lee: I personally believe that I can work it out all right, because it has to be done that way. To be realistic, there is no other way to expedite the transfer except in that way which you just suggested.

General Helmick: It is almost four o'clock. We will have Article IX tomorrow, and the change on Article XIII. I have also here a summation of the whole thing, which I would like to explain in detail. It shows in figures what is turned over and what is requested. Does General Lee wish to meet tomorrow morning?

Mr. Lee: How about in the afternoon? Is one hour enough?

General Helmick: I think one hour is enough. We can change the two hour

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session from ten to twelve.

Mr. Lee: How about from two o'clock tomorrow afternoon, because I have to work on this with Mr. Yu.

General Helmick: Two o'clock will be fine.

Mr. Drumright: Do you think the agreement, as a whole, as you have gone over it, is fairly satisfactory?

Mr. Lee: I have to read it over and think it over before I give you an answer.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between the Government of the United States of America and the Government of the Republic of Korea

FIFTH MEETING

24 August 1948 - 1400 Hours

Negotiators

Major General Charles G. Helmick
Mr. Everett F. Drumright

Lee Bum Suk, Prime Minister
Chang, Taik Sang, Minister, Foreign
Affairs

Also Present

Dr. Edgar A. J. Johnson
Mr. Owen T. Jones
Mr. Allan Loren
Dr. Wilhelm Anderson
Dr. Ernest Fraenkel
Dr. Paul J. Sturm

Mr. Min, Won Sik
Mr. Koh, Chang Il
Mr. Lee, Soon Taik
Mr. Hong, Hyun Pyo
Mr. Yu, Chin Oh

Interpreter: Kim, Kil Choon
Reporter: Luella Eldridge

Preliminary explanation to Mr. Lee before arrival of Mr. Chang

General Helmick: We are issuing a revised copy of this whole paper. Article IX has been revised entirely to take up some of the objections, or some of the questions, which were raised at the last meeting. Article XIII has been revised to meet the objections raised last time. We have added Article XIV in order to continue present contracts which have been made. The supplement, which you will find in the last part, has been entirely re-translated. When Mr. Chang arrives, I think that it would be best to go over Article IX to see that it meets all the questions which were raised before.

Mr. Chang arrived at 1430 hours.

General Helmick: Mr. Chang, we have gotten out a revised copy. There have been no changes except in Article IX which incorporates the change in payment over twenty years and also the exchange rate, also Article XIII. We have added an Article XIV. If it is agreeable to General Lee, I would like to go over Article IX to see whether that is satisfactory. Paragraph 412a on page 10 is the same which we went over before. It agrees that the Korean Government take over the responsibility for the loan of \$25,000,000 and will repay that in Korean won as indicated in paragraph "e" of the Article which we are coming to later as 416. Paragraph 413 on page 11,

"The Government of the Republic of Korea shall, in accordance with paragraph 'e' of this Article, pay the indebtedness set forth in this Article, including interest due and unpaid, if any, in Korean currency, less any credits for buildings and other property which the Government of the United States of America may acquire in partial payments therefor." Paragraph 414 indicates what these expenditures will be for, that is, what the Government of the United States will spend it for. "The Government of the Republic of Korea and the Government of the United States of America agree that the Korean currency to be received by the Government of the United States of America as provided in paragraph 'b' of this Article, as well as the Korean currency to be received by the Government of the United States of America as interest provided in paragraph 'a' of this Article, shall be used for the payment of any or all expenditures in Korea of the Government of the United States of America, including expenditures for an educational program and for property." I will go over (1) and (2) a little later. (Discussion in Korean)

Interpreter: They have some question about the tangible and intangible property.

General Helmick: "Real or personal, tangible or intangible" those are different classes of property, aren't they, Dr. Fraenkel?

Dr. Fraenkel explained the differences in the types of property - tangible property is buildings, equipment, etc., intangible property is accounts receivable, patents, copyrights, etc.

General Helmick: The principal expenditures of this money in Korea will be for:

"(1) such educational programs as may be mutually agreed upon by the two Governments, and

(2) The acquisition of property located in Korea, either real or personal, tangible or intangible, including improvements to any property in which the Government of the United States of America has an interest. Such property shall include initially the property listed in the Supplement to this Agreement."

Interpreter: The Korean for interest on page 11 is translated as concern.

General Helmick: No, it should be the interest which accrues on the money - interest at $2\frac{3}{8}\%$ per year.

(General explanation of the difference between interest meaning concern and interest meaning income on money)

General Helmick: If there are no questions, we will go to paragraph 415.

"At the request of the Government of the United States of America, the Government of the Republic of Korea shall deliver title to such property as may by mutual agreement be acquired by the Government of the United States of America in accordance with the terms of this Article. Upon delivery of title to such property by the Government of the Republic of Korea to the Government of the United States of America, the Government of the United States of America shall credit the account of the Government of the Republic of Korea under this Article with the agreed-upon fair-dollar value of such property." In other words, the United States will confer and agree upon the property which it would like to purchase. They will agree upon the fair dollar-value and when the title is turned over they (the Government of the Republic of Korea) will be credited with the amount of the fair dollar-value.

Interpreter: It doesn't specify fair dollar-value. It just says fair value.

Dr. Johnson: That is covered in the Supplement - that is all right because it is covered in the Supplement.

General Helmick: Paragraph 416. "Except as may be provided by special agreement between the two Governments, (unless you desire otherwise) the first payment by the Government of the Republic of Korea on the indebtedness set forth in paragraph 'a' of this Article shall be in the form of buildings and other property specified in the Supplement to this Article, the value of which shall be determined by joint appraisal. The first payment as described above shall be made within thirty days after the effective date of this Agreement. The unpaid balance to be paid in accordance with paragraph 'b' of this Article, shall be payable in nineteen equal annual installments, plus accrued interest. The first of the nineteen annual installments shall be paid not later than 1 July 1943. Payment of each installment plus accrued interest shall be made not later than 1 July of each year." That paragraph changes the methods of payment and will spread it equally over twenty years, after the first year. Paragraph 417 deals with the rate at

which the obligation is computed. "The won equivalent of the dollar obligations assumed by the Government of the Republic of Korea under the terms of this Agreement shall be calculated by mutual agreement between the Government of the Republic of Korea and the Government of the United States of America in the light of prevailing won-dollar ratios, such calculations to be made immediately prior to each annual payment." There is an additional sentence which is not put in here which I wish to include. "The won equivalent in any case shall be no less favorable to the United States than the conversion rate legally available to any party at the time of the transaction." This last is a standard phrase which is included in contracts where rate of exchange is concerned and it is a paraphrase sufficiently close to what we were directed to put in from Washington so that we can accept this without going back to Washington for further information. Does that cover the objections which were raised in the last meeting to the exchange rate?

Mr. Lee: It is satisfactory.

Mr. Chang: I would like to put in the words, "or Korea" just after the United States . . . then the conversion rate . . . at the time of the transaction. We want to stand on equal terms.

Mr. Lorex: If you give someone a rate of 500 to one, what we want to be sure is that we get 500 to one and not 400 to one.

General Helmick: Under similar conditions. That is the thing we are trying to put in here is that the United States is not to be discriminated against.

Mr. Loren: Won will not be sold to anyone else at a more favorable rate than is given to the United States in the settlement of this debt.

Mr. Lee: I have a little question on this supplement - that is the part which says "to any party". Does it mean either of the two parties or just anyone?

General Helmick: Any third party.

Mr. Chang: Anybody includes third party, Mr. Drumright, not only the United States and Korea?

Mr. Drumright: Anybody. We want to be sure that we get the best rate you give anybody else. In other words, we don't want you to give us less than

you give anybody else. We have that in many of our exchange agreements. We want to be safe - we want to be sure that you give us the best rate you give anybody else.

Interpreter: In the Korean translation "to any party" is not very clear. It means rather the parties concerned. We get the impression that this refers to two parties, Korea and the United States. In Korean, if we want to make it clear we should say, third party. For example, if the Korean Government gives thirty won for a dollar while she gives the Philippines forty-one for a dollar, does this mean that Korea will have to give the United States the highest for a dollar.

General Helmick: Yes, that is what this is - that Korea will give to the United States as good a rate as it gives to anyone else.

Meeting recessed at 1500 hours.

* * * * *

The committee reconvened at 1515 P.M.

General Helmick: If Article IX is satisfactory, I suggest we go to Article XIII on page 14. At the end of the sixth line, "the Republic of Korea" was left off unintentionally. I am not sure whether that is in the translation or not?

Mr. Lee: Yes, sir, it is.

General Helmick: This has been changed to make it 30 days and 90 days. "Administrative control of the accounts, properties, and operating facilities transferred to the Government of the Republic of Korea under the terms of this agreement shall be turned over in a progressive and orderly manner to the authorized officials of the Government of the Republic of Korea within 30 days from the effective date of this agreement or as rapidly as the Government of the Republic of Korea is prepared to assume such responsibilities, except that administrative control over vested properties and over relief and rehabilitation supplies shall be turned over not later than 90 days from the effective date of this agreement, or as rapidly as the Government of the Republic of Korea is prepared to assume such operations and responsibilities."

Mr. Chang: This is exactly what we wanted to put in. There is no objection.

General Helmick: We have asked in Article XIV on page 15 - there are a number of contracts which the military forces made with the various governmental departments, principally Communications and Transportation, and we ask that this Article be included so that those contracts be continued without interruption. I would like to make a change in the English - the fifth line, and I would like to put in "Army Forces in Korea and the several departments". It would be "several" departments, and strike out "Communications and Transportation", and on the next to the last line, put in "certain transportation and communication facilities and other services." In other words, to make this paragraph an overall paragraph, which will let our contracts remain in effect. Have you made those corrections?

Mr. Lee: Not in Korean yet, sir.

General Helmick: I will read the Article as amended: "Until such time as the United States Army Forces in Korea are withdrawn from Korea, the Government of the United States of America and the Government of the Republic of Korea agree that they shall be bound by and shall respect all agreements previously made between the United States Army Forces in Korea and the several departments of the United States Military Government concerning the use of certain transportation and communication facilities and other services by the United States Army Forces in Korea."

Mr. Lee: I would like to have copies of this agreement between the United States Army Forces in Korea and Military Government.

General Helmick: We can have copies made.

Dr. Johnson: This is a sample one in communications.

Mr. Lee: Will it be translated?

Dr. Johnson: If you would like to have it translated, we can do that as well.

Mr. Lee: Will you please.

General Helmick: We will have a translation of the communications contract. We have sent for the transportation contract and have not yet received the copy of that. Are there any further questions on Article XIV? (No comment) The next page is the retranslation of the Supplement to the proposed initial financial and property settlement. This has been retranslated, and I think it is a more accurate translation of the English here. If it is satisfactory

to General Lee, we can just read this translation on this, unless you would rather have me go over it?

Mr. Lee: Let's read it over first.

General Helmick: Do you wish to read it over yourself?

Mr. Lee: No, sir, you.

General Helmick: You remember in Article IX, which refers to this Supplement, and it is referred to on page 11 - it says there that "such property", that is the acquisition of property located in Korea, "such properties shall include initially the property listed in the supplement to this agreement." This is the property which is desired by the United States as the first payment on the \$25,000,000 loan. I will read the supplement: "This agreement between the Government of the United States of America, hereinafter called United States, and the Government of the Republic of Korea, hereinafter called Korea, is supplemental to the proposed initial financial and property settlement, and covers the transfer of real property in return for surplus property furnished Korea. Whereas the initial financial property settlement between Korea and the United States provides in Article IX that at the request of the United States, Korea shall deliver title to such property located in Korea in which the United States has an interest, and whereas Korea has agreed in section d of the Article of the agreement above referred to, to make available property desired by the United States, the price to be agreed upon by the governments, and whereas the United States has already selected certain property which it desires to receive under the terms of the agreement referred to above, therefore, it is agreed that Korea transfer to the United States at prices to be specified in dollars and to be determined by three recognized appraisers, one of whom shall be nominated by Korea, one by the United States, and a chairman by the two appraisers first chosen, properties designated as Annex A, including but not limited to the following." In other words, the United States desired to get certain properties. The price of those properties will be agreed to in dollars between the United States and Korea. The price will be determined by three recognized appraisers, one shall be appointed by Korea, one by the United States, and the two, together, shall choose the third, who will be the

chairman of the group. As I visualize this, the appraisers will determine the won value of the houses. Then, as was agreed upon in Article IX, the rate will be determined, and the indebtedness will be credited with the dollar value of the property, based upon that rate. On the next page, a, b, c, d, and e are properties which are very close to the present American Consulate and are desired in order to make a well-rounded consulate area. No. f is a number of properties in an area where it is desired to have the members of the embassy staff to reside and the aid mission group, and no. g is the Banto Hotel and the parking lot, which is desired for the embassy offices and offices of the aid mission, and the military attaché and the Information Center. Are there any questions on that?

Mr. Lee: How many houses and buildings are there in total according to this list? Do you have any figures?

General Helmick: About 48 or 49 houses, counting the Banto.

Mr. Drumright: 50, including three small lots.

Mr. Lee: Mr. Koh counted them, and he says he got a total of 51, including the warehouse.

General Helmick: It may be. That is right, I didn't count the warehouse. There are about 50, counting the warehouse.

Mr. Drumright: But we may tear down the warehouse for it doesn't amount to anything.

Mr. Koh: What do you mean by Russian No. 1, etc?

Mr. Drumright: Those are the names of the Military Government houses, and they have an address in the second column.

General Helmick: When we set up the appraisal, we will have the official description of this. Russian No. 1 is 139 Chong Dong, I think. It is a house which was used as a billet.

Mr. Drumright: a and b are Japanese houses used by the Russians.

General Helmick: I think we better take steps to get the exact descriptions of those houses.

Mr. Drumright: c and d are lots adjacent to the Consulate building; e is a plot of ground which is opposite a and b, where we want to establish a warehouse to keep our supplies.

(Interpreter's note: No. f just says "Chong No Koo" - it only shows the district)

Mr. Drumright: We will have a map showing the whole thing. It is a well-known area.

Mr. Loren: It is the Sik An Bank area.

Mr. Sturm: I am drawing a map, and I am very familiar with the areas.

General Helmick: It is where the Finance Officer and Dr. Bunce live.

Mr. Drumright: All those houses are in one area, and we want to put a wall around it and have a single area where diplomatic mission people and perhaps some aid mission people will live.

General Helmick: Are there further questions on that? (No comments) I had planned to ask Mr. Jones to present to us the recapitulation of all of the many properties and obligations turned over by this agreement. We have here the statement as of June 30 of what all these amount to. I believe it is so close to four o'clock we probably had not better take that up this afternoon. Does General Lee wish to go into that this afternoon, or would you rather put that off until tomorrow?

Mr. Lee: We have a general idea of the matter.

General Helmick: It will take over half an hour, including translation.

Mr. Lee: I wish to postpone this until the next meeting. This agreement was drawn up by American delegates according to their views, and I expect we will have some long discussion after we finish reading this entire thing over. As representative negotiator of the Korean Government, I have the responsibility to present this plan to the Assembly, and to get their approval, too, and I would like to request General Helmick to be kind enough and very cooperative in making it possible.

General Helmick: We will do everything we can to make it possible.

Mr. Lee: Everything will work out if you American delegates remember that the United States is the nation which helps the entire world. Since World War I - a long time, I know - I know about China and America - America helped China and Europe.

General Helmick: I will, at the next meeting, go over the figures of the agreement. I think you will find that it is a very generous agreement in that a great deal is given to Korea, and a comparatively small amount is asked in comparison.

Mr. Lee: Will that be translated?

General Helmick: We haven't it translated, have we, Dr. Johnson?

Dr. Johnson: We could do that. It is practically all in figures. It will seriously delay the presentation.

General Helmick: Can we get it tomorrow?

Dr. Johnson: Not by ten o'clock.

General Helmick: They can work as long as they can and try to get the headings translated for General Lee.

Mr. Lee: I would like to have the translation made, because it will help me a great deal in negotiating in this meeting and also at the Assembly.

General Helmick: Most of them are figures. We will have the headings translated so that General Lee can follow it.

Dr. Johnson: Would it be all right if the Koreans simply follow this, so that we won't have to reset the whole thing?

Mr. Lee: Yes.

Dr. Johnson: There is another part to this, the glossary?

General Helmick: That I don't think we can translate at the present time. We have had informal discussions with Dr. Fraenkel and Dean Pergler regarding your constitution and methods of presenting this to the Assembly or asking the Assembly to give the President authority to sign the agreement. Of course, it must be a decision of your Government how you wish to present this to the Legislature and whether you consider it desirable to ask the Legislature to give the President authority to act for the Legislature. We merely present the fact that in some democratic countries, the President has been authorized by the Senate or Legislature to make such agreements, and it would expedite matters materially if that could be done, so that when the agreement is ratified by the President, signed by the President, that would be sufficient, because the American representative here is authorized to sign for the United States. Since this is, more or less, a business transaction of turning over the going business of Government rather than a treaty, there might be some consideration for making that request. Dr. Fraenkel has drafted up what he considers legislation, which would cover that, and I will be glad to present it to General Lee for any use which he

sees fit. I am sorry that we did not have time to translate it for the meeting. When will General Lee like to meet again, tomorrow?

Mr. Chang: I cannot attend in the morning meeting, because Mr. Muccio is coming to see the President. He will be there at ten o'clock. Two o'clock will be suitable.

Mr. Lee: From two o'clock.

General Helmick: From two o'clock tomorrow will be fine.

Mr. Lee: In principle, we have to submit this agreement to the Assembly for its approval. And another circumstance, I believe, we have to submit this to the Assembly for approval; however, the key point is the \$25,000,000 loan, because the Assembly members as well as the people, themselves, were made to believe that loan was a free gift to the Korean nation.

General Helmick: Not that loan.

Mr. Lee: There were some statements issued to that effect.

Mr. Drumright: The things which we have said were given to the Korean people are -

General Helmick: The Civilian Supplies, locomotives, things like that, but we were always very careful that it was never said that FLC imports were to be given, because by law we could not give that, the law controlling surplus properties states that it cannot be given away. The confusion is very understandable, because there were so many other things, which, it was stated, would be given, that it is very hard for you to distinguish, especially since you did not know all the details of what belonged to Civilian Supply and what belonged to FLC, and, I think, tomorrow when we go over the figures of all of the property, etc., you will see that this is a very small part of what has been brought to Korea. Military Government realizes the difficulty of requesting payment from Korea because we knew the economic situation, but we have been bound by the law, which controls that surplus property. And that is the reason that we did not ask for payment in dollars, but merely payment in won, which we would spend in Korea, and eventually all that the United States will get from the \$25,000,000 will be some property and the good will, which we expect to get from the educational programs which will be carried on here or in the United States. I can assure

General Lee that we have the most sympathetic feeling for the Government and the economic conditions which face that Government. That has been part of my duty for two years, and I can assure you that I have lost many hours of sleep trying to find solutions for some of these economic problems, and the United States does not wish to ask for anything which will throw an undue burden upon Korea.

Mr. Lee: We understand the true motives of the American Government, and we also believe that the United States Government will continue to help Korea, if necessary in the future, too.

General Helmick: When we get all of this arranged, we wish to discuss an aid program, an economic aid program. Shall we meet tomorrow at two o'clock?

Mr. Lee: Yes, sir.

The committee adjourned at 4:15 P.M. until the following day.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between the Government of the United States of America and the Government of the Republic of Korea

SIXTH MEETING

25 August 1948 - 1400 Hours

Negotiators

Major General Charles G. Helmick
Mr. Everett F. Drumright

Lee Bum Suk, Prime Minister
Chang, Taik Sang, Minister, Foreign Affairs
Yun Chi Young, Minister, Home Affairs

Also Present

Dr. Edgar A. J. Johnson
Mr. Owen T. Jones
Mr. Allan Loren
Dr. Wilhelm Anderson
Dr. Ernest Fraenkel
Dr. Paul J. Sturm

Mr. Min, Won Sik
Mr. Koh, Chang Il
Mr. Lee, Soon Taik
Mr. Hong, Hyun Pyo
Mr. Yu, Chin Oh

Interpreter: Kim, Kil Choon
Reporter: Mary T. McCarthy

General Helmick: General Lee, we have here a paper which gives a general statement of the cash and property values involved in this agreement. Since these figures are rather complicated, and since we have been unable in some instances to get exact up-to-date information, I would like to present a recapitulation and then get the papers back and make some slight corrections in the figures.

The purpose of this document is to summarize, in the terms of the various currencies involved, the financial and property settlements that we have been discussing. Page 1 is a summary statement. It is a digest of all the figures, boiled down into one page. Pages 2 to 8 are details supporting the digest. Most of these figures are as of June 30, 1948. The third part of this paper, pages 9 to 13, gives a brief description of each item that is listed on pages 2 to 8.

I shall go over this digest somewhat in detail. We have divided these accounts up into three general categories. Category I is what is turned over to the Republic of Korea subject only to their assuming the related obligations. Category II covers property and accounts which are turned over to the Republic of Korea subject to agreement as to their disposition. The concurrence of the United States is asked only in those accounts which involve foreign

exchange and the sale of United States purchased goods. The purpose of this is to insure that those funds are expended to the best advantages of the Korean economy. Category III lists property and assets to be retained by the United States, and obligations which are to be assumed by the United States. In each category there are four columns which give the various currencies in which these accounts are listed. The first column, marked "Miscellaneous", contains Japanese yen and British pounds sterling; the second column, Hongkong dollars; the third column, United States dollars; and the fourth column, Korean won. When I mention amounts, I shall use round figures. I should like to call your attention to the fact that in many cases we have been obliged to use the best available estimates in compiling these figures. This has been particularly true of properties. In still other cases no data was available. In such instances we have inserted the symbol N.A.

Let us first examine Category I. This covers the property and accounts to be turned over to the Republic of Korea without any restrictions beyond acceptance of certain obligations tied in with these funds. The first item of ¥46,200,000 is a Japanese yen account in Tokyo which stands in the name of the United States Military Government. These yen were turned in by Koreans being repatriated from Japan, and USAMGIK reimbursed the Koreans with Korean won. There are certain limitations to the use of these funds. They can be expended only for services obtained in Japan. An example of their use is to pay for repairs on a Korean-owned ship which is now in dry dock in Japan. Those yen will be used to pay for repairs on the ship, and the Korean shipping company will reimburse the government in Korean won. Reference to this Japanese Yen Trust Account will be found on page 2, on line number 1128.

The next item on the list of assets, on page 1, in the U. S. dollars column, is \$48,340,657. That is entirely property. The details are found on page 3, lines 1322, 1324 and 1325. Capital improvements, amounting to \$32,000,000, are expenditures for improving the housing and other facilities which have been occupied by the military personnel. Military excesses, \$8,971,000, cover military equipment of various sorts which has been turned over to SKIG. Items 1325, locomotives, \$7,000,000 - is the value of the 101 military locomotives which were brought to Korea and are now in use on the

railroad. The total of these items is \$48,340,000.

In the won column, there is an item of W631,155,000,000, the value of assets being turned over to the Korean Government. The details of this amount are given on pages 2 and 3. Of the W631,155,000,000, W2,863,000,000 are in cash. These are funds which were in the bank on June 30 to the credit of the government. The various funds are listed under different headings on page 2, with further explanations in the notes on page 9. Of the W631,155,000,000, W15,000,000,000 represent accounts receivable, money which is owed to the government. The two principal items in this class are shown on page 2, lines 1221 and 1222. They are Property Custody accounts receivable - amounts which are owed to the Property Custodian - and the National Land Administration accounts receivable, amounts due for sales of land. The remainder of the W631,155,000,000 is property, details of which are shown on page 3. The property, which amounts to W613,000,000,000, is broken down into a number of items. Item 1311, W450,000,000,000, is the estimated value of national property. That has been adjusted to some extent to meet present valuations, but I believe that it is a very conservative valuation. Am I not correct on that, Mr. Jones?

Mr. Jones: Yes.

General Helmick: The national property includes all buildings, equipment and property belonging to the national government, and includes the national railroads. Line 1321 shows the value of the property in the hands of the Property Custodian, and is carried as a won value of W158,000,000,000. Since the Property Custodian has in his hands the greater part of the industry of Korea which was built and owned by the Japanese, we feel that this valuation is on the low side. The amount of property is so great, and it is scattered so widely throughout Korea, that we have not been able to get a satisfactory inventory or firm estimates of its value. In many cases, plant values are carried on the books at the value as of 1944. Rather than make a rough estimate of the value we could not be sure of, we have not multiplied the plant value by any factor to give a present value. The next figure in the won column, line 1323, is the National Land Administration: property, W4,492,000,000. This is the estimated value of certain New Korea Company

property, and unsold agricultural lands. The last figure in the won column, line 1326, ₩200,000,000, is the value of Korea Foreign Exchange Bank shares. These properties total ₩613,000,000,000. The total won assets, including cash, accounts receivable, and property, amount to ₩631,155,000,000.

In return for the transfer of these assets, as well as for assets to be turned over in Category No. II, we are asking that Korea assume certain obligations. The first of these is the Foreign Liquidation Commission loan of \$25,000,000. This is placed in the United States dollar column, but for bookkeeping purposes only. We are asking that the payment of this loan be made in property here in Korea to be used by the U. S. Government or in won to be spent in Korea. We are agreeing that virtually all the payments which are not made in property will be spent for an educational program in Korea or the Orient to be agreed upon between the two countries.

In the won column, we are asking that the Republic of Korea assume the obligations amounting to ₩41,736,000,000. The details of these liabilities or obligations are given in the lower part of page 3, and on page 4. I shall go over them somewhat in detail. On page 3, line 1410, is the item "SKIG Overdraft", amounting to ₩21,267,000,000. This is the difference between the cost of running the government, from the beginning of the occupation until June 30, 1948, and the amount which was received from taxes and other receipts. The next item, the obligations of government agencies, are current expenses, and we have not reliable figures on that. This item is the operating expenses of the government.

Mr. Loren: That is merely outstanding bills owed by government departments and they would be offset in part by the fact that there are amounts due to the government which have not been credited here in these figures.

General Helmick: The next line, 1413, Postal Savings Deposits, are the amounts which are held by the government to pay the Postal Savings deposits and interest. There are assets above (line 1111) to offset that amount. The next item, line 1414, Postal Savings Insurance, is offset partially by assets at line 1111. The next large item is line 1423, the USAMGIK Funding Account No. 1, ₩10,225,000,000. That is the amount of won which has been advanced to the military forces and for which a settlement of \$24,000,000 was given for "pay-as-you-go".

The next item, line 1424, is the USAMGIK Funding Account No. 2, W500,000,000. This is the account on which the military forces are drawing after June 30. This account will be settled later on between the United States military forces and the Government of the Republic of Korea. The United States will pay dollars at a fair dollar value for those won.

On the next page, line 1511, bank loans of W7,736,000,000 guaranteed by SKIG, are bank loans whose payment has been guaranteed by the South Korea Interim Government. The item on line 1521, W548,000,000, is the amount of bank loans guaranteed by the Property Custodian. The total of all known obligations which it is requested that Korea assume is W41,736,000,000.

This completes Category I on page 1, which is a resume of assets which we propose to turn over to the Korean Government, and the obligations which we ask the government to assume. Are there any questions on that general category before we go to Category II? (No questions)

I should like to stress the fact that in the accounts of such a large and complex organization as the government and economy of Korea, it is impossible to be sure that the figures are exact. They are the best figures that we have available. We have every reason to believe that the assets are undervalued; especially, we think vested property is very much undervalued. We believe that the figure of W631,155,000,000 will be much larger. Also, we are not able to list all of the claims which may be made against the American troops, Military Government and SKIG; but I believe that they will not exceed the indicated amount materially and I feel that increase of the assets will more than compensate for any increase in claims.

Mr. Lee: How about the Lee Household properties?

General Helmick: I believe that this is not carried as vested property. The Lee Household property was administered by the Property Custodian, but it is not considered as vested property. We have felt all along that the disposition of the Lee Household was a matter for decision by the Government of the Republic of Korea.

I would like to go next to Category II, on page 1, which is cash, accounts receivable, and property which will be turned over to the Republic of Korea subject to concurrence by the United States as to its disposal.

Will you turn to the first figure, £5,311? That is the foreign exchange balance to the credit of USAMGIK in London. It is probably all used now, because it was deposited there, for the Olympic team. The next item, HK\$666,000, is the foreign exchange balances in the bank in Hongkong. Details of the item U.S.\$83,000,000 are on page 5. If you will look in the column, "U. S. \$" on line 2111, there is an item foreign exchange, \$1,280,000. This is our current foreign-exchange balance (June 30, 1948) in the foreign trade account. Line 2121, "Pay-as-you-go", is an amount of \$23,800,000. This is the amount in dollars which was paid by the United States Government to USAMGIK in settlement of the USAMGIK Funding Account No. 1. (Line 1423, page 3). These are United States dollars which were turned over in payment for the won which the military used, and that sum has been deposited in the Foreign Exchange Bank to the credit of USAMGIK. It is proposed to turn that money over to the Korean Government. The total available cash in dollars is approximately \$25,000,000.

In addition to dollars in cash, there is an item of accounts receivable, line 2212, "exports in transit", amounting to \$1,245,000. This is the dollar value of exported commodities which are on their way to be sold, but for which we have not yet received the money.

In addition to the dollar cash and accounts receivable, there is the dollar value of certain property which will be transferred. Line 2311, civilian supplies in the "pipe line", amounting to \$48,000,000, gives the value of civilian supplies which have been ordered, and which we know are on the way to Korea, but have not yet been landed. There are \$5,921,000 worth on order from Japan, and \$42,000,000 worth on the way from the United States or from other countries of the world. These goods are on the way and will be available to the Korean Government. Line 2312, civilian supplies on hand in Korea, \$7,000,000, are goods which have been received. These goods were in warehouses on June 30, and had not yet been sold. The last figure in the dollar column, \$2,132,000, represents the value of materials on hand in Korea which we have obtained by means of the Foreign Liquidation Commission loan. As a matter of bookkeeping, this amount belongs above in Category I; property which is transferred goes to Korea without restrictions. We take

the position that if the Government assumes the FLC loan, these assets become its property to dispose of in any way it sees fit.

You will notice that the total assets of this column, \$83,000,000, agrees with the \$83,000,000 on the first page. We will revise this, however, to make the change I just mentioned.

May we go back for a moment to page 1? Under the won column, there are listed assets of ₩25,641,000,000. The details of that figure are on page 5. On that page there is an item in cash, line 2112, "Civilian Supply Account", amounting to ₩4,727,000,000. This is won received from the sale of civilian supplies which have been put in a special account. To go to accounts receivable, on the same page, line 2211, "Civilian Supply Account", there is an amount of ₩19,131,000,000. This is the amount receivable from the sale of civilian supplies for which payment has not been received. The next item, line 2221, accounts receivable from FLC sales, ₩1,782,000,000, is the unpaid balance on the sales of the Foreign Liquidation Commission goods. We shall put this item in the Category I accounts, as explained above.

The Total Assets, at the bottom of the won column, the sum of all the items in that column, amounts to ₩25,641,000,000, and that figure agrees with the amount shown on page 1 for the won column of Category II. That will be reduced by ₩1,782,000,000, which will be added to Category I won assets. We ask that in taking over these accounts, the Republic of Korea assume obligations for HK\$36,000 and \$40,000 which are current foreign exchange commitments to cover imports in transit from Hong Kong and the United States respectively.

General Helmick: I have here a chart which combines Categories I and II of page 1. As you remember, Category I are assets turned over to the Korean Government for unrestricted use, and Category II are assets which are turned over subject to United States concurrence as to disposition. I repeat, the United States concurrence merely insures that those funds be spent for things which help the economy of Korea. These funds were put in this category because when the Congress of the United States appropriated the money which purchased these goods, it was with the understanding that any proceeds would

be used to the advantage of the economy of Korea. We have combined the two categories of page 1 to show the total assets which are turned over to Korea. The assets turned over to Korea are valued at forty-six million yen, five thousand pounds sterling, six hundred sixty-six hundred thousand Hong Kong dollars, one hundred thirty-two million U. S. dollars and six hundred fifty-six billion, seven hundred ninety-seven million won. In return for these amounts the United States asks that the Korean Government assume obligations of 36,000 Hong Kong dollars, which is an account payable in our current foreign trade; \$25,040,000, of which \$25,000,000 is the Foreign Liquidation Commission loan, and \$40,000 are current foreign trade obligations; and ₩41,736,000,000, which is the SKIG overdraft, the guaranteed loans and the USAMGIK funding accounts (which are the amounts of won which the military have spent). This is, in general, the balance sheet of the assets turned over and the obligations which we ask the Korean Republic to assume.

If you will turn to page 1, in Category III, it shows certain assets and equipment which will be retained by the United States and the obligations which the United States will assume. The first item, under the United States dollar column, is \$26,907,000. The details are on page 7. In the middle of page 7, line 3230, is the amount of \$8,377,000, which is the dollar value of exports which have been sent from Korea to Japan in partial payment for imports for the Korean economy from Japan. On the next page, line 3442, there is an item of \$47,205,000. This is the amount of goods which we have imported from Japan for the civilian economy. The United States will assume that obligation and asks that the \$8,377,000 be credited against the cost of these imports.

The next item, on page 7, is U. S. Government property in Korea which we cannot turn over at the present time. Some of it is not planned to be turned over. Line 3311, "Jacona", \$8,000,000, is a ship of that value which furnishes electric power and which the United States brought to Pusan Harbor. It is in use now, but the United States does not intend to turn that ship over to Korea. We borrowed that ship from the Navy, which has other plans for it as soon as the power emergency is over. The item line 3312 marked "Baltics", \$5,000,000, is a group of eight steamships now used by the Department

of Transportation. Under the law of the United States, we cannot sell these ships. We have made arrangements, however, for those ships to be chartered to the senior American representative in Korea, for the use of Korea. Since we cannot sell or transfer these ships, we have made this arrangement to permit the ships to remain here and be of service to the Korean Government. We ask that the Korean Government operate and maintain those ships with the same care as if they belonged to the government.

The next line, 3313, marked "Electra", is a power barge now at Inchon. This is not being transferred at this time, but there is a possibility that it will be turned over later. The Electra is being used during the power emergency. The electric power furnished by the Electra is very expensive, and when the power emergency is over the use of the Electra will not be economical.

Line 3330, \$2,029,900, is supplies for the North Korea power settlement. These supplies are on hand in our warehouses, being held to pay the power bill. The money was appropriated by our Congress for that definite purpose and we must hold these goods to pay that bill. If the bill is not settled by the time that the military forces withdraw, further negotiations will be made with a view to turning this over to the Korean Government as a means of settling that bill.

This covers items in the dollar column, amounting to twenty-six million which on page 1 are marked "assets". As I have explained, it is largely American equipment which cannot be transferred at the present time.

Going to the won column of Category III on page 1, it shows that assets retained by the United States are 946,000,000 won. On page 7, in the won column, are the details of that amount. The first item, line 3110, W811,000,000, is the proceeds of the sale of war booty - Japanese war equipment which was captured by the United States troops. It was Japanese military war material stored in Korea for military purposes. It is United States law that the proceeds of the sale of war booty must be deposited in the United States Treasury.

The next item, line 3120, W9,000,000, is the value of confiscated funds. This is won confiscated from occupation personnel from Americans.

Item on line 3130, ₩34,500,000, is proceeds from sales of UNRRA supplies. We have recently received a letter from UNRRA which gives us authority to turn these funds over to the Government of the Republic of Korea. These funds will therefore be removed from Category III and will be placed in Category I, to be turned over to the Korean Government. The agreement which was made when UNRRA left the funds was that they would be used for welfare activities, such as orphanages and things like that.

The item on line 3140, ₩41,000,000, are USAMGIK Provost Court fines. It is U. S. law that fines from a federal court, of which this is a type, must go to the United States Treasury.

This gives a total ₩896,000,000 cash to be retained by the United States. This will be diminished by the ₩34,000,000 which will be transferred to Category I.

The last item in the won column of page 7, line 3320, ₩50,000,000, is the estimated value of the war booty, which is still on hand. This amount, with the ₩896,000,000 cash, makes up the figure of ₩946,000,000 shown in Category III on page 1. These are the assets which are retained by the United States.

As part of this agreement, the United States undertakes to settle obligations amounting to \$323,000,000. The details of this amount are given on page 8. The first item for which the United States agrees to assume obligations, line 3430, \$247,000,000, is the cost of all the relief and rehabilitation supplies and services which have been brought into Korea since the beginning of the occupation. The next item, line 3441, \$15,000,000, is the amount of supplies and equipment imported from Japan for the Army, used to build or to improve houses and buildings which they occupy. The item on line 3442, \$47,000,000, is for goods and supplies imported from Japan for the benefit of the economy of Korea. The item on line 3450, \$8,971,000, is the cost of military equipment which has been turned over to USAMGIK or SKIG for the Defense Forces of the Korean Government. The last item, line 3460, \$4,890,000, is the amount estimated for the settlement of the North Korea power bill. These amounts totaling \$323,000,000 are obligations which the United States agrees to assume.

That is a general picture of the financial and property settlement which we have asked you to agree to and which is incorporated in this agreement. I should like to emphasize that the Korean Government, and the Korean economy controlled by the government, is a going concern. These accounts are, to the best of our knowledge, accurate as of June 30. They are current accounts, and a balance at any one time will vary somewhat from this. In this settlement I should also like to emphasize the fact that in dollar obligations which we ask Korea to assume, there is only one item - the \$40,000 which is an account payable in our current foreign trade. Payment of the \$25,000,000 FLC loan, which is listed in the dollar column, will not be asked for in dollars. Payment will be asked for in won or in property. The United States is well aware of the critical situation of the Korean Government with regard to foreign exchange, and has not asked for settlement in dollars, for anything except a current foreign trade bill. One of the greatest advantages of this settlement is the fact that the new Korean Government is starting out without a large funded debt. That is, they have no great amount of bonds outstanding. The only obligations which will be outstanding are what we have indicated in this settlement. It will mean that the Government of the Republic of Korea will not have a large burden of debt such as have the United States and all of the European countries.

Mr. Lee: I would like to ask a question on the \$25,000,000 loan. When General Lerch was still Military Governor, he repeatedly issued a statement to the effect that the new government will start to pay the loan after five years from the day the loan was made to USAMGIK, spreading over twenty years, and I would like to know what caused the change.

General Helmick: That is correct; in the contract signed by General Lerch, payment was to start in 1952. The Department of Army, however, asked that we request the settlement which was written in this agreement. If you wish, we will consider transmitting to the Department of Army your desire to adhere to the original FLC agreement. The Department of Army wanted the first payment to be made in the form of property - so that property would offset part of this loan. That is a very important matter in this settlement. I would be very glad to take this up with Washington. There is another thing - the

agreement which General Lerch signed specified payment in dollars rather than in won. Also, regarding the use of won for the educational program, we wish to have the program start as soon as practicable. We felt that the settlement which we proposed was more advantageous to Korea than the dollar payment of the original contract.

Mr. Lee: I would like to ask another question. Changing the terms of payment - were they changed because the Government of the United States decided to receive it in won rather than in dollars?

General Helmick: That was one of the reasons it was changed. It was planned to make most of the money available for the educational program, and the United States felt that it would be advantageous to have the program start as soon as possible.

Mr. Lee: I am worried about the economic condition of the new government. It will be very hard for the new government to pay obligations in the early days. If we postpone the terms of payment in accordance with the provisions General Lerch signed, will it be changed to dollars instead of won?

General Helmick: Yes, if it goes back to the original agreement. The United States wished to have an educational program start as soon as possible; and it also wished to acquire, at this time, property which would be needed for its Embassy activities. The United States realized that the economic condition of Korea was such that it would have difficulty making dollars available to pay this bill.

Mr. Lee: As General Helmick stated a while ago, since the United States Government understands that Korea is in a very critical situation, how about postponing the first cash payment - won payment - according to this provision here instead of starting it next year, and since the United States Government intends to use that won received from the Government of Korea in Korea for educational purposes, she might as well show more sympathy for the economic situation in Korea.

Mr. Chang: General Lee wishes to say, as far as the Embassy property is concerned, that could be settled right away, but as for the payment, he would like to postpone the payment in accordance with General Lerch's settlement - five years. General Helmick suggested a while ago you could make such a suggestion to the State Department.

General Helmick: It is possible that the reason for the twenty-year payment lies in the Fulbright Act. This is a law passed recently by the U. S. Congress which permits the expenditure for education of money obtained by repayments of Foreign Liquidation Commission loans. I am not familiar with all the details of this law, and I should like to look it up before I make a definite statement. I think that we should consider the ability of the economy to make such payments and the great needs of education, too. I shall examine the law carefully, and shall be able to give you further information. I am sorry I haven't the details at hand.

Mr. Drumright: I might say that similar agreements have been made in China, Burma, Greece, Philippine Islands; and numerous other agreements are being negotiated under this same law. China, for example, is in a much worse financial state than Korea. We have given Korea a great deal of aid already, and we propose to do more in the future. Therefore, we feel this is not too much of a financial burden.

Mr. Lee: We should pay. of course we must pay, but any people of a new nation have the strong feeling of seeing their own viewpoint. Koreans believe they are in a worse situation than China.

Mr. Drumright: Furthermore, we have for many years, through the Boxer Indemnity Funds in China, been carrying on educational work; and we think that that educational work is very, very important in furthering friendly relations between the two countries. That is certainly a very evident development in China and we want to get on here in Korea as quickly as possible, a similar program so that we can have a better understanding between the two countries - have Koreans understand the United States and Americans understand Korea. Therefore, we feel this program ought to be started as soon as possible.

Mr. Lee: I think we can settle this educational program in some other way. The Americans have a greater interest in China than in Korea - in comparison the interest in Korea is very small.

Mr. Drumright: That is one reason why we should get this program started.

Mr. Lee: I am sure that Mr. Drumright has a good plan which can be argued tomorrow.

Mr. Chang: Mr. Drumright, I think American education is very harmful. I give as an example, Mr. Yun. He was educated in America and he is an awful man. (laughter)

General Helmick: I shall look up the details of the law and will be glad to discuss this further.

Mr. Drumright: We would like to say this, that in the Article we drew up yesterday, we agreed to postpone the educational part until next year. Originally we planned to start this year. We have already postponed it one year.

Mr. Lee: You always tie up the educational program with this obligation.

General Helmick: Mr. Chang suggested that we get out a press release to show that we have completed going over the details. Is there anything particular you would desire to say in the press release? I should be very glad to have one drawn up and submitted to you for approval.

Mr. Lee: If you release a statement too much in detail, it will be harmful in getting the Assembly to approve this agreement - it will be better just to make a general statement.

Mr. Chang: The main point is this, General Helmick. The other day the Korean delegates were of the opinion that - the people are guessing all kinds of things. Some newspapers are reporting that we are deadlocked - we have a difference of opinion. We don't want to have that impression in the people's minds. I suggest you give out a statement that we are getting along very nicely, making much progress, the rest of the conferences will be settled in a few days - not give them many details but say the thing will be accomplished in a couple of days. That will satisfy the Assembly as well as the people.

General Helmick: I shall draw up a press release tomorrow.

Mr. Chang: Do you know definitely the day on which General Hodge leaves?

General Helmick: Friday.

Mr. Yun: No meeting until Friday?

Mr. Chang: Yes, but this thing must be settled as quickly as possible. Always tomorrow, Koreans say. Say in the press release we are getting along very harmoniously, everything is settled between ourselves and except for

technical points we are ready for the signing of the document. Put emphasis on the statement that we are ready to conclude the whole thing.

Mr. Lee: How about meeting again on Monday afternoon at two o'clock?

General Helmick: Monday at two o'clock.

Mr. Chang: General Helmick, we suggest it will be better to say something in the statement that the Korean delegates have consulted with the UN Committee as regards to this and everything is O.K. We want to give the impression that there is no trouble at all. Korean delegates have reported to the UN regarding this agreement. That will guarantee our standing. Because we want to get this thing settled as quickly as possible.

Meeting recessed at 1630 hours.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between the Government of the United States of America and the Government of the Republic of Korea

SEVENTH MEETING

30 August 1948 - 1445 Hours

Negotiators

Major General Charles G. Helmick
Mr. Everett F. Drumright

Lee Bum Suk, Prime Minister
Chang Taik Sang, Minister, Foreign
Affairs
*Yun Chi Young, Minister, Home Affairs

Also Present

Dr. Edgar A. J. Johnson
Mr. Owen T. Jones
Mr. Allan Loren
Dr. Wilhelm Anderson
Dr. Ernest Fraenkel
Dr. Paul J. Sturm

Mr. Min Won Sik
Mr. Koh Chang Il
Mr. Lee Soon Taik
Mr. Hong Hyun Pyo
Mr. Yu Chin Oh

Interpreter: Kim Kil Choon
Reporter: Alfred J. Coppola

*Due to illness, Mr. Yun Chi Young was absent from this meeting.

General Helmick: Before we start, General Lee, I would like to correct a statement which I made previously regarding Article IX. I stated, at that time, that the won proceeds of any payments on the F.L.C. loan would be used for the purpose of purchasing property and for an educational program only. That is not entirely correct, because the agreement is written so that the won proceeds of any payments can be used for any purpose; that is, any official purpose, in Korea. However, it is the intention of the United States Government to spend the great bulk of the proceeds in purchasing property and in an educational program. In paragraph 414, it is clearly stated; but it was pointed out to me that in my explanations, I had not stressed that we could spend the won for any purposes.

We have completed the examination of the agreement, and I know there was some question about the details of Article IX. I would be glad to hear what the Korean negotiators think of the remainder of the agreement.

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Mr. Lee: As for myself, I am satisfied with the agreement, but after talking with different people, I find out that the main problem is the \$25,000,000 loan. Of course, if we got a greater amount, and if the American Government claims we have to return it, that is our obligation; but still in practice, since it is very difficult to get approval of the people of the Government if we include the \$25,000,000 loan in this agreement, I believe if we take up this specific matter later on, separately, not included in this agreement, it will be easier to have this agreement signed. That is just a technical matter. I think without my further explanation, General Helmick will understand why.

General Helmick: Yes, I understand the problem. Is the remainder of the agreement agreeable?

Mr. Lee: The second matter is about buildings, which the American Government wants to buy. Instead of buying them, how about leasing them free permanently? It will cause less trouble in signing this agreement. If the American Government wishes, they could use them on a permanent basis.

General Helmick: One of the purposes leading to purchase of buildings and grounds for the Embassy is the fact that there has been no Embassy here for some time. The United States wishes to provide itself with a suitable Embassy, office building, and suitable houses for the diplomatic staff. They wish to buy these so that they could make the necessary improvements on them, and to fit them up to suit their needs.

Mr. Lee: We could include those conditions in leasing the buildings and lands.

General Helmick: The United States, as a practice has purchased its Embassies in many countries, and it is also desired to make the payment of this debt easier by taking part payment in the transfer of properties at this time. Also, if the United States owns the buildings, it would be its responsibility to maintain them, to see that they are properly repaired, and it would relieve the Korean Government of that expense. It may be that the United States would have to purchase certain things

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for the repair and the maintenance of those buildings, which could not be done if they were rented. The grounds and buildings which we are asking for are, in the first place, grounds to extend the area of the present consulate, which will be used for the Ambassador's residence. The Banto is being requested for offices for the Embassy staff, for the consulate proper, for the aid group, and for other attaches of the Embassy --the various military and naval attaches, and the O.C.I. Our present plans are rather tentative. It is possible that at some time in the future, we should desire to build an Embassy building, and an Embassy chancellery on the grounds where the consulate now is. It is entirely possible that sometime in the future, we may not need the Banto building, and we would dispose of it at that time. I think it would be to the advantage of Korea to have these buildings in the hands of the Americans, who would have to maintain and keep them up at their own expense rather than at the expense of the one who leases them.

Mr. Lee: For us negotiators here, the buildings and grounds problem is just a minor one; but to make these negotiations easy, I thought of suggesting to lease the buildings to the American Government authorities instead of selling them. Under the circumstances, I think we will prefer leasing them and paying the expenses of maintaining them and everything for the buildings and grounds. Just to make the building and ground matter easier, I suggest that; for there are some people who do not think the same way as we do. Frankly speaking, we are expecting a great deal of help from the United States Government, and we don't want to make this minor matter a problem, but the main motive behind my suggestion is that we can prevent any agitation or anything of that nature, and propaganda by those who oppose the present government.

General Helmick: What would be the propaganda objection? As I see it, the United States realizes the grave economic condition of Korea at the present time and realizes that Korea will undoubtedly ask for aid. Our plans are built up on that basis, because no one knows better than I, the economic needs of the new government and what they will have to do in order to utilize their resources. We have made preparations for an

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aid group so that the assistance which is now being supplied to Korea can continue until 1 July 1949. We expect that the Korean government will ask for certain aid after that time. The aid group will be prepared to work with the Korean Government to determine what aid will be needed. At this time, since we have made those plans, we wish to utilize the F.L.C. loan to make the purchases of the necessary buildings. According to the United States law, payments on that loan can be used only for the purchase of buildings, for an educational program, and other like expenses. Under the law, that is the only way in which we can accept the local currency, that is, won, in payment for that loan. We knew how difficult it would be for the Korean Government to get foreign exchange to pay such a loan. We knew that it was impossible for the Korean economy to make payment of \$25,000,000 because there will not be that much foreign exchange. Foreign exchange will be needed desperately for other things, which are exceedingly important. It was for this reason that an arrangement was made to utilize won payments, which are permitted under the United States law.

Mr. Lee: I believe we could settle this matter very easily if we handled this \$25,000,000 loan as a separate matter and also lease buildings and grounds instead of buying them--in a separate agreement. Leave the \$25,000,000 to be settled later on, and lease the buildings and grounds which the American Government needs here, so that this agreement can be reached very easily, without any further difficulties.

General Holmick: In other words, there are no questions on any of the parts of the agreement?

Mr. Lee: I have another question. Article VI. The last part about the claims signed by Korean nationals. "The Government of the Republic of Korea undertakes to compensate the owners for damage or loss to such property during the period that it was not under the control of such owners, to the same degree as compensation is paid by the Government of the Republic of Korea for loss or damage to Korean property seized, confiscated or sequestered for war purposes by the Japanese Government or

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its nationals." This is the matter I brought up when we were going through this Article. When we think of taking over a huge amount of vested property, this is also another small matter actually. But thinking of the psychological effect which will be brought out by this agreement, I would like to suggest to hold this provision for the time being so that the United States Government could file claims against the Japanese Government when any peace treaty is signed at the proper time. This is just a psychological matter I am suggesting concerning it.

General Helmick: What we ask for here is this: The United States took over all properties from the Japanese. Some of the properties were properties of United Nations nationals, which had been vested by the Japanese. We were not able to turn back to them all these properties, nor were we able to settle all of the claims related to the United Nations national owned property. What we ask Korea to do is to take over all vested property, which is about half the value of all property in Korea. In return, we ask Korea to take over the responsibility for seeing that the proper thing is done to these claimants. The United States wishes to be relieved of all the property and of all the claims against that property. The claims under this score would be of small value compared to the value of the property turned over to Korea.

Mr. Lee: The property which foreign nationals claim are not included in the property which Military Government claims.

General Helmick: They are either being turned over to Korea as vested property; or they have been turned back to the owners before, but the owners still have outstanding claims for damage to that property.

There are Koreans whose property was confiscated by the Japanese and vested, and such property is included among the vested properties. Undoubtedly, you will wish to rectify the wrongs which were done to those Koreans. What we ask here is that United Nations nationals receive the same treatment which you will accord to Koreans. This is a standard condition which we have put in agreements with other countries. They have accepted that responsibility. The point we wish to stress is that we ask nothing for the United Nations nationals beyond what will be done by Korea for her own nationals.

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There is over 158 billion won worth of vested property which is being turned over to the Government of the Republic of Korea, of which only a very small part is involved with United Nations nationals, or with Korean nationals. It is such a very small part, that we felt that if Korea receives all of this property, she can at least accept the responsibility of righting any wrongs which have been done to Korean personnel and to United Nations personnel in connection with it.

Mr. Lee: The wrongs that the Japanese committed in Korea were entirely against the will of the Korean people, and the Korean people, themselves, consider those acts criminal. For moral reasons, we don't want to accept those wrongs, because once we accept them, it means we accept the crimes. A second reason, is that according to international law, any new government is not responsible for those wrongs committed by the old government.

General Helmick: The Korean does not accept responsibility for the wrongs which were done, but we have asked them to accept the responsibility for righting those wrongs. When we took over the vested property, we considered that it was our responsibility to right the wrongs which the Japanese had done. Due to many difficulties, such as lack of time, lack of personnel, etc., we did not adjust all of those claims. What we are asking is not that Korea accept the responsibility for having done this--no--but that she accept the responsibility for righting the wrongs which the Japanese did. She has all of the properties which we have taken away from the Japanese--a tremendous amount of property--which she can use to right these wrongs. Again, this one point which you stress: It is compensation to the owners for damage or loss to property seized by the Japanese during the time that it was in the hands of the Japanese. All we ask is that if Korea gives any compensation to Koreans for any loss or damage to property which occurred while the property was vested in the hands of the Japanese, that she give that same consideration to the United Nations nationals.

Mr. Lee: We don't mean to ignore the damages or losses suffered by United Nations nationals, but I think we are approaching the subject

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from two different angles. I am making this suggestion from the point of view that the Japanese government caused those damages or losses to properties owned by United Nations nationals, as well as Korean nationals, against our desires:--that is, the Korean people's desires. And, also, international law provides that the new government does not have to be responsible for those wrongs committed by the old government. The Japanese government if the owners file claims, has no right to refuse to be responsible. The United States has the right to file the claims against the Japanese government for them to handle these problems. Of course, I know that you are trying to make this arrangement simple and easier by including this here, but that is a technical matter we can settle some other way.

General Helmick: To go back to the property of Koreans or United Nations nationals which was taken over by the Japanese. Under international law the Japanese were authorized to take over those properties, so the seizure was according to international law. It wasn't a crime according to the law of nations. It is a matter of equity that United Nations nationals whose properties were taken over by the Japanese should have that property returned and that is what we have endeavored to do. But we have not accomplished that entirely. The persons whose property was taken and whose property was damaged while it was in the hands of the Japanese are also entitled, we feel, to some compensation. We Americans have felt that, having taken over the Japanese property and the Japanese having lost control of that property, we were in a position where we could right some of those wrongs. It is a matter of equity, a matter of justice to those United Nations nationals whose property was taken should have it returned to them. We ask here that the property be returned to them as is their right, and that they be compensated for any damage done to that property only to the same extent that it would be done for a Korean in the same circumstances. When the United States Army came to Korea, it set up a military government and one of the responsibilities of that military government was to right those wrongs. We were not able to accomplish this entirely in the time which we had.

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We are turning over to the Government of the Republic of Korea all the vested property which we took from the Japanese. We are asking that Korea accept not the Japanese responsibility, but our responsibility. We will turn over to them the property, and the means of righting these wrongs. We request that in accepting the property, they also accept our responsibility of righting these wrongs. We are turning over to the Korean government vested property amounting to some ₩158,000,000,000 and the amount of property which is involved with United Nations nationals is about ₩25,000,000. It is less than 1/6000 of all the vested property which was turned over.

Mr. Lee: As I have stated before, we are approaching this problem from entirely two different angles. You gentlemen, as representatives of the United States Government who won the war over Japan, stand in a different position from the Koreans who have been under the control of the Japanese in the past. I don't have any question on the amount of money involved in this case, but what I am after is the spiritual or psychological effect which may be brought by this agreement here. It is not a money matter at all. Again, I understand your reasoning and the text of this agreement in Section VI very well, but I am still concerned with the psychological effect which will be brought on the Korean people, so I think with some minor changes on the text maybe everything will be settled. Just you clearly state here that we are taking over the policies of military government who have been trying to right the wrongs committed by the Japanese or something like that.

Mr. Drumright: Do you not think it is only just and equitable that property which has been taken away from people, both Korean and foreign, in this country by the Japanese should be returned to them? Is that not just and right?

Mr. Lee: It is right for the new government to compensate losses or damages suffered by United Nations nationals under the Japanese owners from your standpoint, but as I have stated before, we Koreans were against the actions taken by the Japanese and we are not responsible for the wrongs they committed.

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Mr. Drumright: Korea is now taking over all this property, and there were American, British and United Nations nationals who had property here which was taken away by the Japanese. Now we ask that property be returned to those people. We feel that is only just; it is a very reasonable request, and we feel since this property is being turned over to the Korean government, that government has the responsibility to turn the property back to these people from whom it was taken.

Mr. Lee: The question is not whether we will pay the damages or not. We will do everything stated in this paragraph providing some words are changed so that there will be no misunderstanding. It may be worded in this way: "Military Government has been paying off damages suffered by United Nations nationals as well as Korean nationals, and we are taking over the responsibilities from Military Government, instead of the Japanese."

Mr. Drumright: This article has nothing to do with that. This article merely asks that the property taken away from these people be turned back.

Mr. Kim: What he means is, in effect it will be the same, but to avoid criticism or misunderstanding, insert a few more words that the new government is taking over responsibilities from Military Government instead of from the Japanese government.

General Helmick: That is what they are doing all right, the whole agreement is between the Military Government and the new government. We are transferring the government. The Military Government has all of this property and some of the property belongs to United Nations nationals whom we haven't been able to return it to and we are asking that they take over from the government the property, and in addition to the property to return any property belonging to United Nations nationals and to pay any claims that they would to a Korean.

Mr. Drumright: In Article V I think that is covered - if General Lee will go back and read Article V.

General Helmick: We can insert at the beginning of the sentence on line 10 of paragraph 409 the words "in carrying out policies initiated by the United States Military Government in Korea."

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Mr. Lee: O.K. That is good.

General Helmick: That can easily be done, because this whole agreement is an agreement between the old military government and the new government.

Mr. Lee: I am very anxious to put in a phrase like that somewhere here because the Korean people are so bitter against what the Japanese did in Korea.

General Helmick: We are not asking the Korean government to take responsibility for anything the Japanese government did, we are merely asking it to carry out policies which USAMGIK or SKIG have inaugurated to right the wrongs which the Japanese did.

Mr. Lee: Another question I would like to ask. On page 6, starting from line 7 "to accomplish this orderly transfer the Government of the Republic of Korea agrees to make available the Korean personnel needed to assist the Property Custodian of the United States Army Military Government in Korea to effect transfer of property and to prepare supporting documents." "The Korean personnel needed to assist . . ." this part is not very clear to me. In Korean translation it says the Government of the Republic of Korea will supply proper personnel to assist the Property Custodian to prepare, transfer and make necessary arrangements, etc.

General Helmick: The vested property is of such value and of so great an amount that an organization will have to be set up to take it over. We have established the Office of the Property Custodian to handle this property. He is the man who is going to transfer this property to the Korean government. What we ask is that the Korean government set up a group whom they will designate to take over the property and the necessary records. We have asked the Property Custodian to make a study of an organization which he thinks should be set up for the purpose. This is a translation of his study. It is submitted as a suggestion to the Korean Government. (Study given to negotiators.)

(Discussion between Mr. Drumright and Mr. Lee in Chinese.)

Mr. Drumright: He asked me to make a new translation of that. He says what they have now is not at all clear.

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General Helmick: We will have this wording restudied and a translation made of it. In the Property Custody office, the Property Custodian hires a large number of Koreans to keep the accounts. He has a Korean organization as well as Americans. The Americans are paid from American funds and the Koreans are paid from the proceeds of rentals and sales, etc. of vested property. It is not a part of the South Korean Interim Government, nor are the Koreans paid for by American funds. As soon as the Property Custodian turns over, all of the Koreans will be turned over with the organization. The Americans and some few Koreans whom the Americans will employ will make up the records and final report for the United States and it will then be staged out. With the transfer of vested property and vested property funds, we can transfer, I think, most of the Koreans in the organization, but there should be a Korean organization built up to absorb it, to take it over. However, we will have this translation restudied.

Mr. Lee: One more question before we close; that is 416(c), page 12, the first line ". . . except as may be provided by a special agreement between the two governments . . ." I am not sure of the meaning of "special agreement" in this sentence.

General Helmick: It means "unless some other agreement is made."

Mr. Drumright: That has reference to an agreement in regard to establishing an educational foundation here in this country. If we can get an agreement on this article, we hope later on to negotiate a special or separate agreement regarding the setting up of the educational foundation on which there will be some Americans and some Koreans. They together will work out the details of the educational program. That is what that means.

General Helmick: While we are on that, let us look at the next sentence: "The first payment as described above shall be made within 30 days after the effective date of this agreement." We realize that this cannot be carried out because it does not allow enough time to make appraisals and the transfer, etc. of that property. We shall make a change in that sentence so that will not be so restrictive.

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Mr. Lee: In the last part of this agreement there is no effective date stated.

General Helmick: No, the effective date -

Mr. Drumright: You mean the agreement itself? How about 422 on page 14?

Mr. Kim: It just says signed on that date. That doesn't mean it is effective.

General Helmick: The effective date, I believe, is the date when it is accepted by the Korean government under their constitution.

Mr. Chang: Legally a contract is effective on the day of signing. When an ordinance is issued, the ordinance becomes effective on the day of publication, so it is understood.

Mr. Drumright: What about the Assembly ratifying the agreement?

Mr. Chang: Well, we haven't settled it yet. We have to get it to the Assembly. That is the reason why General Lee proposed to do this without Article IX. If we make a separate agreement on the \$25,000,000 matter, we can sign this without sending it to the Assembly, you see.

General Helmick: Dr. Fraenkel states that it is usual when the agreements are accepted by the executive branch, they are initialled to show what is understood. Then it is signed in full by the authorized signers when the government is authorized to make that agreement.

Mr. Lee: This is a last question I would like to ask. Even after signing this agreement, if either of the two parties finds some error or mistakes in the figures appearing in the annex or supplementary papers, could we still make the proper corrections?

General Helmick: The papers are not part of the agreement. The papers are the best information that we have at the present time. The principle of the whole thing is this: that the United States wishes to turn over to the Government of Korea all of its assets here now. I think the assets outweigh very much the liabilities. We also want to turn over the liabilities which are attached to those assets, so that when the United States withdraws, it will not be called back to settle this claim or that claim or the other claim. We know that the Government of Korea wishes

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the United States occupation to withdraw, so that there will not be any foreign government here. We wish to make a clean break and to turn over the assets and liabilities of a going concern.

It is rather late tonight. At what time do you wish to meet tomorrow?

Mr. Lee: Again two o'clock in the afternoon.

General Helmick: You are busy in the morning?

Mr. Chang: We have to discuss it with Dr. Rhee and that takes about two hours, that is why we always ask you to meet in the afternoon.

General Helmick: Tomorrow afternoon at two o'clock then.

Mr. Chang: We meant to sign this agreement this afternoon, but some unexpected incident occurred and this \$25,000,000 problem came up again.

Mr. Drumright: That \$25,000,000 thing is the only big thing left.

Mr. Chang: I know it; that is what I said here.

Mr. Drumright: That is a difficult problem to solve.

General Helmick: Let us make that the subject of tomorrow's meeting then, if you wish.

Mr. Chang: Our aim is not to dispute this \$25,000,000, but what we want is, for the sake of convenience, to make this a separate agreement. To have Article IX excluded from this agreement, so that we can sign this agreement and we can send Article IX down to the Assembly and let them talk at their heart's content for months and months, because if we include this subject in this agreement, we don't know how long it will take, you see. So, if we make a separate agreement, which is no hardship to the United States Government at all, then we can sign this and undertake governmental functions. It is not we are going to dispute this at all. We recognize fully as regards the \$25,000,000 loan, but want to make a separate agreement the same as this.

Mr. Drumright: We will discuss it with Mr. Muccio.

Mr. Chang: That is why he has met with Dr. Rhee this afternoon.

Mr. Drumright: It will be very difficult to make some arrangement wherein we could not settle the \$25,000,000.

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Mr. Chang: This is a technical point, Mr. Drumright. It is not we are disputing the \$25,000,000 at all, just for the sake of convenience in order to discuss it with the Assembly.

Mr. Drumright: I think we can make some kind of settlement anyway.

The meeting recessed at 1630 hours.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between the Government of the United States of America and the Government of the Republic of Korea.

EIGHTH MEETING

31 August 1948 - 1415 Hours

Negotiators

Major General Charles G. Helmick
Mr. Everett F. Drumright

Lee Bum Suk, Prime Minister
Yun Chi Young, Minister, Home Affairs
Chang Taik Sang, Minister, Foreign
Affairs

Also Present

Dr. Edgar A. J. Johnson
Mr. Owen T. Jones
Mr. Allan Loren
Dr. Wilhelm Anderson
Dr. Ernest Fraenkel
Dr. Paul J. Sturm

Mr. Min Won Sik
Mr. Koh Chang Il
Mr. Lee Soon Taik
Mr. Hong Hyun Pye
Mr. Yu Chin Oh

Interpreter: Kim Kil Choon
Reporter: Luella Eldridge

General Helmick: Shall we go ahead, General Lee, or shall we wait for Mr. Chang?

Mr. Lee: Let's go ahead without waiting for him.

General Helmick: We have been meeting here off and on for almost two weeks and it is very important, I think, that we complete this agreement. I understood yesterday that the agreement was acceptable with the exception of Article IX. May I proceed on the assumption that that is correct.

Mr. Chang arrived.

Mr. Lee: That is right, sir. Only Article IX is in question.

General Helmick: There are two things in Article IX that evidently are giving difficulty: The first is the \$25,000,000 loan. The United States Army Military Government in Korea and USAFIK are a going government - they are a government in full operation, and it is very much like a large business. In turning over this business to the Government of the Republic of Korea, we must turn over the complete business. There must be a transfer of cash, of accounts receivable, accounts payable and property. This is what this agreement contemplates. One of the basic powers and functions of a government - one of the basic necessities of a government - is that it must have funds. For any activities within its borders, it can use its own currency--in Korea, won.

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For any activities outside of the borders of the country, it must have funds that are acceptable to the foreign country; such as dollars, pounds sterling, Hong Kong dollars; and, if we deal with Japan, Japanese yen. Korea needs many things from beyond her borders. She needs coal, fertilizer, food, petroleum products, cotton, chemicals, machinery and parts for machines. Without these imports, Korea's transportation would be ox carts. She would not have sufficient cotton for clothing. Her fields would not produce enough food for her people, and there would be hunger in the land. The United States, in the last three years, has brought in food, petroleum, fertilizer, coal, cotton, equipment and supplies amounting to almost \$300,000.00. The types of imports were essentially those to prevent hunger, to prevent disease, and to prevent unrest among the people. There are many other things which were desirable, but which the appropriation laws of the United States would not permit us to purchase with these funds. The Military Government found that foreign exchange was absolutely necessary, in addition to the supplies which the United States brought in. Until the Military Government was able to get foreign exchange, it was helpless to do many of the things which were most necessary for the economy of Korea.

Interpreter: Foreign money?

General Helmick: Foreign money - money which could be used outside Korea. Dollars that we could spend as we wanted to, without any restrictions.

I have gone into this in some detail to show how important it is for a government to have available money which can be spent outside of the country for things which are needed in the country. In planning for the transfer of the government, we studied the fiscal situation very carefully and felt that the new government must have a material amount of foreign exchange in order to be able to operate properly. In the funds which we plan to turn over, there are \$25,000,000 and there are some Hong Kong dollars and a small amount of pounds. In the last meeting, it was indicated that the Government of the Republic of Korea would like to separate the FLC loan from the rest of the transfer and handle it separately.

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However, this FLC Loan is an obligation of the United States Army Military Government in Korea. It was signed by General Lerch and we are bound by his signature to meet that obligation. As long as that is an account payable, as long as that is an obligation of the Military Government, if the Military Government transfers all of its assets and obligations, that must be transferred too. But if the Government of the Republic of Korea does not desire to accept this obligation, it will be necessary for the Military Government to liquidate the loan - to take care of it itself. The Military Government has the assets with which to pay this loan. Under our agreement with the FLC, we can pay that loan at any time with dollars. We in Military Government had considered making that payment, but it will take practically all of the dollars which we have in order to pay that loan. We, who knew the difficulties which face a government here, felt that it would not be a wise thing for us to do that and deprive the new government of the dollars which we had. I personally feel that such an action; that is, using all the dollars to pay that loan, would be disastrous to the economy of Korea, and would make it very difficult for the new government to operate. The United States has indicated that it stands ready to continue to aid Korea until June 30, 1949, but that aid is restricted to food, fertilizer, petroleum products, and supplies of a limited amount of coal. There are many things which are needed for the recovery and operation of industry which are not in that program. Foreign exchange is necessary to purchase the goods and equipment which will produce further foreign trade and more foreign exchange. It has also been indicated that if Korea requests aid, the United States will consider giving aid beyond 1949. However, such aid will not eliminate the need for foreign exchange to be available to the government. If the amount of \$25,000,000 seems too large, and the Government feels that it can get along with less foreign exchange, we can pay off part of that loan and reduce the amount of the loan, but it will be at the expense of the dollars which will be available to the government.

We received a radiogram from Washington which indicated that they preferred the original wording of this loan, as set forth in the original

agreement. To refresh our minds on that, the agreement was approximately the same as is now written except for the method of payment. As you will remember, the United States agreed not to ask for a payment greater than \$5,000,000 in any one year. That is in the original agreement. I discussed that at great length with Mr. Muccio, because I felt, and I know everyone who is familiar with the situation in Korea felt, that the strictest terms that could be demanded under that agreement --\$5,000,000 each year for five years--would be beyond the capacity of Korea to pay. Mr. Muccio said the \$5,000,000 amount was put in because it was estimated that that amount would more than cover the cost of property it was desired to buy the first year. He said that it was not contemplated asking for \$5,000,000 other years. I pointed out to Mr. Muccio that the negotiators would have great difficulty in presenting to the Assembly an agreement which might subject Korea to demands of \$5,000,000 each year for five years. Mr. Muccio said that I could speak for him and assure the negotiators that for the first year they would ask for no more payment than that which was necessary for the property which we had asked for. When I expressed to him General Lee's desire to keep the payments low for the first few years particularly, Mr. Muccio also authorized me to say that they would not ask, the first year after the property is received, for more than the interest on the loan; that is, interest on the balance. It is not the desire nor the object of the United States Government to ask for payments on this loan which would strain the finances of the Korean Government. In setting up the educational program which is contemplated under this fund, there will be a group of Koreans and Americans who will agree upon the type of the program and the amounts to be expended on it. I can assure the Government of the Republic of Korea that the United States will be most reasonable in what it will ask for payment. Although the letter of the agreement looks harsh, I can assure you that the spirit of the United States is to make the payments as easy as possible for the Korean Government.

As I explained when we first touched on this matter, it is the law of the United States that this loan can be abrogated or wiped out, only by the United States Congress, and we here are not authorized to cancel

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that debt. One reason for the terms of the agreement is that it is required by law in that manner. I can also assure the negotiators that the Americans who remain to help with the aid program, those who remain with the Ambassador, will seek ways to make fulfilling this agreement as easy as possible for Korea. I know that this doesn't give General Lee very much ammunition to present to the Assembly for ratification. I think that in any presentation to the Assembly, we must go beyond the words of the agreement, and we must consider the spirit which the Americans have shown during the time they have been here. This spirit will continue in the future. I know that it is a principle or rule of those who deal with money to say the agreement is what is written down--that the words make the agreement. They can also say the past spirit is not an indication of what will be done in the future. However, I think that the record of the Americans in the past three years will show that they have the good of the Korean country at heart and that they will not exact the maximum letter of that agreement.

Mr. Lee: When we suggested that we handle the \$25,000,000 loan separately from this agreement, we did not mean not to recognize the good spirit the Americans have shown in the past. Neither did we want not to offer a set of buildings for the Embassy. We fully understand the good motives and spirit the Americans have shown here in the past and so far as we are concerned, we are ready and anxious to accept this agreement fully, but the suggestion was made in the hope that we could solve the problems in the quickest and easiest way. Actually we realize and we are anxious to offer those buildings free, if we could, but the circumstances surrounding today impels us to make the suggestion (meaning some pressure), and I have even thought of asking you to deduct the \$25,000,000 from the assets we are going to take over.

General Helmick: As I explained, we considered that but felt that the new government needed the dollar assets so much that they could not afford to do that.

Mr. Lee: How about making the deduction in won instead of in dollars?

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General Helmick: We can only pay off in advance in dollars. It is in our contract that we can pay in advance in dollars only. At one time, that was the only way that FLC loans could be paid; but the Congress passed a special law which permitted payment in the currency of the land, if it were used for the purchase of property or for an educational program. They passed a special law to permit this money to be used that way.

Mr. Lee: I understand how you really want seriously to help Korea.

General Helmick: General Lee, on page 6, yesterday, a question was raised on the second sentence, "To accomplish this orderly transfer, the Government of the Republic of Korea agrees, etc." We can delete that whole sentence. That sentence was put in at a time when transfer was to be completed in 30 days, and we felt that transfer could not be made in 30 days. In that case, there would be work which would extend beyond the 30 days, and we asked that the Korean Government insure that the work be completed. Since then, the time has been extended for vested property to be transferred not later than 90 days after the effective date of the agreement. We feel that the necessary work can be accomplished while the Property Custodian has his personnel.

Mr. Chang: Have you anything more to say on that?

General Helmick: Not on this.

Mr. Chang: You told us a few days ago that Prince Lee's Household property has nothing to do with Property Custody, and it will be at the disposal of the new government.

General Helmick: We haven't considered the Lee Household vested property. We felt that the disposal of the Lee Household was a matter to be determined by the Koreans entirely.

Mr. Chang: I understand that Dr. Luna, the Chairman of the United Nations Commission suggested to me that the Foreign Office of the new Government can occupy the second floor of the Duk Soo Palace, and I sent a letter to Property Custody and asked if they would be willing to let the floor, and the Property Custodian turned it down.

General Helmick: The Property Custodian is the administrator only. We put him in as the administrator of the Lee Household, but we did not

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consider it vested property. It is a separate status.

Mr. Chang: The Lee Household made a request to the Property Custodian so that we can occupy the second floor, but the Property Custodian turned it down. I can't see the reason why.

General Helmick: He is still the administrator of it until we tell him that it is turned over.

Mr. Chang: As I see it, when the turning over of the Government is accomplished, they will have no more voice in the matter, is that true?

The Lee Household sent a formal request to the Property Custodian to let us have it, and the Property Custodian turned it down.

Mr. Drumright: That is purely a technicality, in my judgment.

General Helmick: I shall be glad to look into the matter.

Mr. Chang: Dr. Luna consented, the Lee Household consented, and the Property Custodian turned it down. The Property Custodian said they will come back in October. They are not occupying the second floor at all.

Dr. Luna said, "You can have the second floor, because that is empty."

and also Dr. Luna said, "We will not come back, and if you want the second floor, that is your own business."

General Helmick: I will be glad to look into that.

Mr. Chang: Will you, please. I have no office, and I am still working at Police Headquarters, and Mr. Muccio asked me where are my quarters, and I refused to answer that question, because he is the Ambassador of the United States, and I cannot ask him to come to the Police Headquarters to visit me.

General Helmick: I think the probable reason is that the Duk Soo Palace was requisitioned by the military for the Joint Commission, and then it was turned over to the United Nations.

Mr. Chang: The Joint Commission, itself, told me, "Why, Chang, don't you have the second floor?"

General Helmick: You mean the United Nations.

Mr. Chang: Yes, the United Nations. Mr. Paul Bon-Coeur and Dr. Luna told me that, because the second floor is empty, and that is where I got the hint, and made a request to the Lee Household, and I made a written

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request, but it was turned down today.

Mr. Lee: General Helmick, if you don't have any further discussion to be made this afternoon, we would like to adjourn right now and meet again whenever we have the final decision ready to sign.

General Helmick: Would you like to have a final copy prepared for signature on this?

Mr. Chang: I suggest that you have the whole thing rewritten, ready to be signed, General Helmick, because we have no more discussion except whether to sign it or not. I think every Article is reviewed and discussed, and there shall be no more change, so let's get the whole thing ready to be signed.

General Helmick: Is it understood that Article IX will be rewritten as it was in the original? We can sign immediately, if it is written that way. If it is not written that way, we will have to wait for an O.K. from our State Department.

Mr. Lee: When you say "original", do you mean the contract with the \$25,000,000 loan?

General Helmick: No, the one in which the payment will be not more than \$5,000,000 each year.

Mr. Chang: In General Lerch's letter, he put off the payment for five years, and General Helmick said that cannot be done at the present time. We want your consideration, if it is possible, to put it off for five years as General Lerch had it down in his letter.

Mr. Drumright: But, we have agreed to accept payment in won; whereas, that agreement specified payment in U. S. dollars.

Mr. Chang: I think it is also convenient for you to have our burden a little bit lighter, because you don't want to have this Government turned down within a month or two, so having our burden a little lighter, it will also be a consideration to you.

Mr. Drumright: The first payment under our provisions would be in property, and we will take into consideration your situation here.

Mr. Chang: As far as payment is concerned, in accordance with General Lerch's letter, it referred to five years.

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Mr. Drumright: After this agreement is signed, we will enter into another agreement with you whereby we will set up a foundation, an educational foundation, and we can agree then as to payment. In making that special agreement, we will take into consideration your economic conditions.

Mr. Chang: We are asking for your consideration. We don't want anything more except what is written in General Lerch's letter.

Mr. Drumright: We will make the payments as light as possible.

Mr. Chang: We ask no more or no less, and what we ask is make it just as it was in General Lerch's letter.

Mr. Drumright: I don't know whether we can do that. It will be light, and it won't be a burden on Korea.

Mr. Chang: If you try to, I don't see why you can't.

Mr. Drumright: It will be some time before we set it up.

General Helmick: Our difficulty is that if we have to go back to Washington to suggest that method of payment, it will have to be considered by the State Department, by the Bureau of the Budget, by the Department of the Army, by the Treasury Department, and by the Foreign Liquidation Commission. They will have to have conferences, and it will take quite some time before they can come to an agreement. The democratic processes do not make for speed.

Mr. Lee: Speaking from our standpoint of view, if the commission decides not to have General Lerch's promise carried out, we have no explanation to make to them.

Mr. Chang: Unfortunately, General Lerch's letter is widely known, and they will hold us responsible for not having that letter carried out. You have your own reasons, as General Helmick explained, but we will be badly cornered.

Mr. Drumright: You can explain we are asking for payment now in your currency, and not in our money. Also, what we will ask from you will be light.

Mr. Chang: Mr. Drumright, we are quite ready to accept as much as we can, but you know the least strain between the relations between the Assembly and our Government, the better for us.

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Mr. Drumright: You can explain that there will be a Joint Korean-American Board that will be set up under a joint agreement, and your people will have some say on how they will operate.

Mr. Chang: Anyhow, all I can ask you is to make some consideration in the matter, and we shall be very happy.

Mr. Drumright: If we did, it would take two or three weeks, and I don't believe we can wait that long.

Mr. Chang: You can do that when the special agreement is signed.

Mr. Drumright: Yes, we can do that.

General Helmick: Yes, we can do that in the special agreement. I assure you it will be just as liberal as it can be made.

Mr. Chang: We will let you know tomorrow or the day after tomorrow when we shall meet, because we will present this at the Cabinet meeting tomorrow, and we will decide what to do, and we will let you know perhaps tomorrow.

General Helmick: I think it is of great importance to do it as soon as possible, so we can take some definite steps on transferring the Government.

Mr. Chang: I hope you will take the other matter up with the Property Custodian at the earliest possible moment, General Helmick.

General Helmick: General Lee brought up the point of the date on this agreement, and when it was effective. Dr. Fraenkel indicated that in the usual case, the effective date was the date of ratification by the Assembly.

Mr. Drumright: If we can help you in any way on presenting your case to the Assembly, we will be glad to do so.

Mr. Chang: Supposing we don't turn this over to the Assembly, what will that be?

Mr. Drumright: I hope you will present it to the Assembly.

General Helmick: Dr. Fraenkel suggested that in order to clarify the time when this agreement was effective that we add this to the agreement: "The ratification shall be exchanged at Seoul as soon as the National

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Assembly of the Republic of Korea has consented to this agreement, and the agreement shall take effect on the date of the exchange of ratification."

Mr. Lee: What do you mean by "the exchange of ratification?"

General Helmick: That means President Rhee would sign it, and Mr. Muccio would sign it. Each signs the other's copy.

Mr. Lee: I see.

General Helmick: As I understand from Dr. Fraenkel, if the agreement is satisfactory, we will sign the agreement, which means that it is agreed between us. It will then be submitted to the Assembly. When the Assembly consents, Mr. Muccio and President Rhee will ratify the agreement, and affix the signatures which will make it complete.

Mr. Chang: We are going to take this tactic with the Assembly, Mr. Drumright. This is, of course, our business; you don't have to know this. Our plan is this: Dr. Rhee will appear before the Assembly and say every article and every item in the agreement has been reviewed and discussed, and everything is ready to be signed, and I want your consent to sign that agreement, and this thing must be done within an hour, and they will say, of course, then Dr. Rhee can sign it.

Dr. Johnson: That is wonderful; excellent.

Mr. Drumright: It will have to be signed first.

Mr. Chang: We don't want to present everything to them. We will just say everything has been reviewed and discussed, and everything is ready to be signed, the only thing remains for me to get your consent, and they will say, O.K., and Dr. Rhee can sign it.

General Helmick: I hope they say, O.K.

The meeting adjourned at 1615 hours.

MINUTES PREPARED BY THE UNITED STATES NEGOTIATING COMMITTEE

SUBJECT: Proposed Initial Financial and Property Settlement Between the Government of the United States of America and the Government of the Republic of Korea.

NINTH MEETING

8 September 1948 -- 1400 Hours

Negotiators

Major General Charles G. Helmick
Mr. Everett F. Drumright

Lee Bum Suk, Prime Minister
Chang Taik Sang, Minister, Foreign Affairs
Yun Chi Young, Minister, Home Affairs

Also Present

Mr. Owen T. Jones
Mr. Allan Loren
Dr. Wilhelm Anderson
Dr. Ernst Fraenkel
Dr. Paul J. Sturm

Mr. Min, Won Sik
Mr. Koh, Chang Il
Mr. Lee, Soon Taik
Mr. Hong, Hyun Pyo
Mr. Yu, Chin Oh

Interpreter: Kim, Kil Choon
Reporter: Mary T. McCarthy

Mr. Lee: General Helmick, we are ready to close the negotiation today, and before signing the agreement, I would like to suggest to have a reading from the beginning to the end, both in English and Korean. We didn't mean to delay the conclusion on purpose at all; neither were we worried about the contents of the agreement, but the main reason for having it delayed is first there were detail matters to be considered and changed, and another thing is this \$25,000,000 loan which we first attempted to request you to take off the agreement, but after a few days consideration, and as you know after Ambassador Luccio had conferences with President Rhee, we are ready to make the conclusion today.

General Helmick: I am very happy indeed. I have felt that an agreement as vital to the government as this required very mature consideration and should not be entered into lightly. In checking the final form here, do you wish to do it in the full committee or shall we have one or two read it and check it?

Mr. Lee: To save time I would like to suggest to have Mr. Lee, Soon Taik check the translation and if you want you can designate some one.

General Helmick: I know the translation has been checked carefully from our side and if you desire we can read it all, or if it will save time, you can designate someone and check it against what we have agreed to.

Mr. Lee: I think that is a good idea - to have someone from each side.

Mr. Chang: If you have a suggestion, that will save time. This is only a formality.

General Helmick: Yes, the text embodies what we have agreed to here. The text is not quite complete, since it does not have the full list of buildings which we have asked to use temporarily. This list will be prepared and will be ready, I think, in a day.

Mr. Chang: That can be done later. It is not very important.

General Helmick: And it might be well to compare and check the two texts. They are supposed to be identical texts. If they will check the Korean texts, we will check the English text.

Mr. Chang: We know the English content. It is not necessary that it be checked, but is just a formality. We can deliver the Korean text to Lee, Soon Taik and he will read it and then we are ready to sign it.

General Helmick: Whom does General Lee designate to sign?

Mr. Chang: General Lee will sign on our behalf.

General Helmick: The president will countersign later? We will all initial it

Mr. Chang: On our behalf, General Lee will sign and after that, the president will countersign.

Mr. Drumright: We were thinking that the five of us would initial it, and then President Rhee and Mr. Muccio would sign the document.

General Helmick: I have been authorized by General Coulter to say that certain departments will be turned over as soon as the Agreement is signed. However, Finance will be turned over at the time that the Agreement is ratified, to insure that it is accepted by all pertinent elements of the Government.

There is something which I wish to bring up. At various times during the negotiations there have been slight changes proposed in the Agreement, and we have reported those changes to the State Department in Washington. We have not yet received back clearance on all of those changes. However, I think that Mr. Muccio or General Coulter tonight or early tomorrow morning will telephone to Washington, to get the clearance so that we can sign the Agreement. I do not visualize any difficulty on that score, because the