not sent

Dear Mr President

I have been trying to avoid writing to Your Exeellency regarding the allocation of the $200.Million Your Excellency made special arrangement with Congress for its immediate use, since Mr Tyler,, Wood, your special representative as economic coordinater has been reporting to you regularly. However, the discussions between Mr Wood and the representative of this government Mr Paik seems to have come to a deadlock and I feel it my duty to inform you how the matter stands now. These two men, Messrs Wood and Paik, have been discussing the matter ever since Mr Wood's arrival .... months ago. As a result their proposed agreement in a draft form was submitted to me 3 weeks ago and I discovered in it two most important points and at once called their attention to it . These points are:

1/ This Government is asked to coordinate to Korean foreign exchange and other national resources with the aid funds given by the USA. This means all the dollar accounts in the Korean treasury and all the revenues, taxes and mine products of all kinds are to be controlled by the Combined Economic Board. This is impossible, because in the first place this government must meet its administrative expenditures as well as the was time military budget. It has to depend on its own national income for its budget. If it is all tied up with the aid fund, the Government will be closed up. We have to take care of that. Antother reason is that a sovereign government cannot have its national treasury in the hands of foreign (friendly) nations however friendly .

2/ the total credit account is not to exceed 8 billion Hwan per year (check) about less than 50 millon dollars- it means that to reconstruct and rehabilitate ROK economy all the demolished factories and machines and to buy the machines and raw material to produce assential comodities the Korean people have no money to furnish all these themselves- therefore this aid fund at least one half of it should go towards thisc expenditures in order to produce goods so

as to supply the needs of the people and reconstruct the economy. If this agreement is going to be followed less than ~~h~~ one quarter of the 200 million dollars can be used. ~~I~~/ We may allow one half of the 200 million dollars towards the importations for immediate relief; at least the other half should go towards the economic reconstrcutions and rehabilitation. Under this ~~clause~~ circumstance this clause cannot be agreed upon unless we agree toadvance loan credit to the producers in Dollars instead in Hwan. We cannot use this 200 million dollars during the entire year. It was also explained that to give the loan in dollars is to expedite the reconstruction program instead of exchanging the dollars into Hwan when we receive the aid fund and change the Hwan into dollar again when the factory owners buy machines and rawmaterial abroad. Another advantage is that it will check the danger of inflation instead of giving the loan in Hwan which the government has to print and which will cause the inflation, we give the loan in dollars for purchases abroad that will keep the inflation down. Mr Wood does not think it possible to use the aid fund for purchases abroad in dollars for the factory owners.

On account of the two items mentioned above this government asked Mr Wood to correct these two terms so that we could sign the agreement. Mr Wood has been going back and forth between Seoul and Tokyo and we have hoped that he could make it clear to the authorities in Washington. He returned from Tokyo several days ago and he wrote me a letter saying that he could make no change and has reported to the higher authorities in Washington and he has to wait for his orders.

Iam sorry to inform you of the fact that our position is such that we cannot sign the agreement unless the two points are cleared . We told Mr Wood that the Korean government will continue to make every effort to spend a large sum of its own money for the reconstruction work- if necessary I will make a record what we have been doing for the national reconstruction without outside help anybody's knowing and we pledge to continue to do it in every way possible.

We will be willing to let this go into the agreement.

If that is not satisfactory to the United States, this government will agree to contribute a certain amount of its own treasury towards the reconstruction work and if this is not sufficient to the US authorities than we will have to say in a most frank and friendly spirit that we do not want anybody either Mr Wood or anyone to spend American government fund in the name of the Korean Economic reconstruction. Allow me to ecplain why we have to take this stand.

The following is our explanation:

American Congressman Brownsen who recently visited here stated that to the press some of the groundless charges against this government which I do not intend t o refer to here, said that the USA aid funds allocated for K economic reconstruction totalled 515 million dollars so far. I do not know what items he included in this but it must include the funds spent by the ECA since 1948 ~~that is w~~

Let us agree that this is correct. But if anyone asked me what we have done with this amount toward the economic rehabilitation for the ECA funds war given for that purpose we have nothing to show for when the ECA officlas arrived here saying that thye are going to spend the fund they have for the economic rehabilition We presented a list of factories and plants essential to the economic structure which should be taken up by theECA. This list included such as fertilizer factory, cement and plower plants , and recla

mation erc.. They said they will take care of all these things. The first year they returned to the US treasury 39 million dollars and the 2nd year 60 million dollars with the explanation that there is no further need for that money. But there was nne of the factories set up and I amsorry to say that none of them has been established up to this date. The aid funds have been spent for the comsumer goods necessary for the immediate relief of the suffering people. We do not underestimate the importance of this immediate relief instead fo spending 20 to 30 mil ion dollars for the importing the fertilizer annually from Japan and other countries if we spent one half of the total sum for so many year for the importation of fertilizer we would have some of our war demolished fertilizer factory rehabilited and some new factories build so that some of these essential industries could have been set up.The fertilizer is only one of these items which explains the necessety of other lines of industries. I say this not as a complaint but as an illustration to show why we have to come to realize unless this government is granted to participate in the allocation and disposition of the funds, we would rather not receive any more aid funds. If these funds are given specifically for the purpose of immediate relief for the suffering Koreans we would not feel so much under obligation but it was given with the public announcement it was given for the purpose of reconstruction and rehabilition for the K economy and now it is used for immediate relief only we have no way to answer when anybody asked us what we have done with it.

Out of our deep gratitude to Your Excellency and to Your gove n ment and the people of the United States we would sign any agreement or contract relating to the disposition of the fund and I do confess that we did sign every agreement proposed by the represen tatives of the Am governemnt without raising a question and without kwoning the meaning of this and that but we have fund out that such a way of signing of an international agreement without knowing what we are signing for led us to no end of trouble and

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