


TIP-BACK
FILE COVER
CAN. PAT. NO. 361978



FILE-TEX STOCK
To Duplicate Order

No. Sp. 2895

File No. 7-3-8-1 Vol. 1

**FOR SUBSEQUENT CORRESPONDENCE
SEE NEXT PART OF FILE**

PLACE FROM

DATE & TIME

OTTAWA

IMMEDIATE

FROM

EXTERNAL OTTAWA

TO

EMBASSY TOKYO

DL-51

CONFIDENTIAL

FEBRUARY 29

REFERENCE

YOUR TELEGRAM 40 FEBRUARY 24.

SUBJECT

KOREAN CURRENCY AGREEMENT.

THE FINAL DRAFT OF THE AGREEMENT APPENDED TO YOUR LETTER 172 OF FEBRUARY 21 CORRESPONDS TO THE DRAFT SUBMITTED TO THE GOVERNOR ~~NEW~~ IN COUNCIL FOR APPROVAL. THIS APPROVAL IS EXPECTED TO BE GIVEN TOMORROW, MARCH 1. I SHALL INFORM YOU IMMEDIATELY THE DECISION IS TAKEN AND NEWTON MAY THEN PROCEED TO SEOUL FOR SIGNATURE OF THE AGREEMENT.

2. AS REGARDS THE FORM OF SIGNATURE, WE WOULD SEE NO OBJECTION TO NEWTON SIGNING WITHOUT SUBSCRIPTION, SINCE THE TEXT OF THE AGREEMENT MAKES IN CLEAR THAT HE IS DULY AUTHORIZED TO SIGN ON BEHALF OF THE CANADIAN GOVERNMENT. IF THE KOREANS PREFER SOME SUBSCRIPTION, HOWEVER, HE MAY SIGN AS "SPECIAL REPRESENTATIVE OF THE GOVERNMENT OF CANADA".

3. BEFORE SIGNING, WE THINK HE SHOULD INFORM THE KOREAN AUTHORITIES THAT THE RATES WHICH WE PROPOSE TO USE FOR ADVANCES MADE PRIOR TO MAY 31/54 (SUB-PARAGRAPH 1(A) OF THE AGREEMENT) ARE THOSE IN FORCE WHEN ADVANCES WERE MADE, AS SET OUT IN YOUR TELEGRAM UNDER REFERENCE. IF KOREANS AGREE TO USE THESE RATES, PAYMENT WILL BE MADE PROMPTLY. TO FACILITATE ARRANGEMENTS, NEWTON SHOULD ASCERTAIN THE NAME OR TITLE OF THE OFFICER OR AGENCY OF THE KOREAN GOVERNMENT TO WHOM THE CHEQUE SHOULD BE FORWARDED.

PLACE FROM

DATE & TIME

4. FOR YOUR INFORMATION ONLY. THE RATE GIVEN IN YOUR TELEGRAM FOR JAN 31 AND FEB 6/51, AND FOR THE PERIOD APRIL 20/51 TO JANUARY 10/53 ARE THOSE WHICH WE HAVE BEEN USING FOR INTERNAL ACCOUNTING PURPOSES. FOR THE ADVANCE ON NOVEMBER 3/50, WE HAVE BEEN USING THE RATE OF 4000 WON, AND FOR THE PERIODS (A) MARCH 25/53 TO AUGUST 1/53, AND (B) SEPTEMBER 3/53 TO MAY 31/54, THE RATES OF 60 AND 180 HWAN RESPECTIVELY. THE FIRST DISCREPANCY AFFECTS THE TOTAL LIABILITY ONLY LIGHTLY. THE SECOND HOWEVER, RESULTS IN A SUBSTANTIAL DIFFERENCE IN OUR FAVOUR.

5. WE PROPOSE TO CONVEY DIRECTLY AND FORMALLY TO THE U.K. MINISTER IN SEOUL AN EXPRESSION OF OUR GRATITUDE FOR THE ASSISTANCE GIVEN, BY HIMSELF AND HIS STAFF DURING THE NEGOTIATIONS, BUT WOULD BE GRATEFUL IF NEWTON WOULD LET HIM KNOW HOW MUCH THIS IS APPRECIATED IN OTTAWA.

DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

File Copy

INDICATE AGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION		
		7-2-4-1		TOPSEC		
OPERATIONAL IMMEDIATE				X	SECRET	
PRIORITY					CONFD	X
ROUTINE					RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		FROM DOMCAN TOKYO		GR		
		TO EXTERNAL OTTAWA				

INFO

ORIGINATOR'S NO.

40

REFERENCE YOUR DL-34 OF FEBRUARY 8, 1956, PARA 4

SUBJECT KOREAN CURRENCY AGREEMENT

BCFK PAYMASTER KURE INFORMS US THAT RATES IN FORCE WHEN ADVANCES
MADE WERE AS FOLLOWS:

- (1) NOVEMBER 3, 1950 RATE WAS 2500 WON REPEAT WON TO U.S. DOLLAR
- (2) JANUARY 31 AND FEBRUARY 6, 1951 RATE WAS 4000 WON TO U.S. DOLLAR
- (3) FROM APRIL 20, 1951 TO JANUARY 10, 1953 RATE WAS 6000 WON TO U.S.
DOLLAR

ON FEBRUARY 25, 1953 HWAN CURRENCY REPEAT HWAN CAME INTO EFFECT

- (4) FROM MARCH 25, 1953 TO MAY 31, 1954 RATE IN FORCE WHEN ADVANCES MADE
WAS 180 HWAN TO U.S. DOLLAR.

SETTLEMENT RATES OF COMMONWEALTH COUNTRIES FOR PERIOD UP TO
FEBRUARY 23, 1953 ON BASIS OF TIME CURRENCY EXPENDED ALMOST IMPOSSIBLE
TO GET HERE BUT WE ARE STILL TRYING.

SETTLEMENT RATES BY COMMONWEALTH COUNTRIES FROM FEBRUARY 24, 1953
TO MAY 31, 1954 ON BASIS OF TIME CURRENCY ADVANCED IS SAME AS IN (4) ABOVE.
DAVIS

ORIGINATOR T.F.M. NEWTON/RP <i>17 111 7/10/56</i>	TELEPHONE	DATE - TIME GROUP February 24/56 Z	FILE NO. <i>270-71317</i>
---	-----------	---------------------------------------	------------------------------

FILE COPY

T.F.M. Newton/rp

~~210-2-13A~~

7-2-4-1

Tokyo, February 22, 1956.

Dear Mr. Kim,

As promised during our recent conversation, I enclose a copy of the draft agreement between your government and mine regarding repayment of currency advanced to our Canadian troops. This text embodies my understanding of all changes made in the original and agreed to by both parties. A copy has been forwarded to Ottawa for final checking, although as I informed you, agreement in substance has been reached by both parties.

If you will be good enough to forward this document to your government for checking, I will then be in a position to journey to Seoul and sign without delay, when I have received authority from Ottawa to do so.

Yours sincerely,

T. F. M. NEWTON

Minister-Counsellor.

His Excellency
Mr. Yong Shik Kim,
Korean Minister,
Korean Mission,
No. 1-5, Takeya-cho, Azabu,
Minato-ku,
Tokyo.

7-2-4-1
File No. ~~210~~ 7-13A

February, 22, 1956

Memorandum for Mr. Newton

John Furley-Smith, British Embassy, informed me that Phelps' replacement as financial officer has finally arrived. His name is Douglas Henley and he will be designated as Counsellor (Financial).

2. This means that in the future, whatever official information is required concerning advances of Korean currency might well be sought from him.

WB. —
G. Bertrand

Seen,
207.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

T.F.M.Newton/rp

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN....

Reference: Your telegram No. DL-43 of February
16, 1956 and our telegram No. 37 of
Subject: February 20, 1956.

.....egotiations.re.Korean.Currency.....
.....Agreement.....

Security: **CONFIDENTIAL**.....

No:.....174.....

Date:.....February 21, 1956.....

Enclosures:.....

Air or Surface Mail:.....Air.....

Post File No: 210-7-13A

Ottawa File No.

References

Although the final steps regarding our agreement with the ROK Government for repayment of Korean currency are still to be taken, it may be advisable to review the course of the negotiations up to this point.

2. Armed with the approved draft agreement, I proceeded to Seoul on Monday, January 30, having, through the ROK mission in Tokyo, previously notified Acting Foreign Minister Dr. Cho of my coming. As soon as the plane touched down, it became apparent that I was to receive a modified "red carpet" treatment. I was met by a top official of the Finance Ministry and the Protocol officer of the Foreign Office, photographed, whisked through the normally arduous routine of customs, immigration, finance and quarantine offices at the airport, and driven to the Bando Hotel. Here the manager, Mr. Dugan of the Brooklyn Dugans, awaited me and accompanied me to a large room allotted to me at half price. A Finance Ministry car and driver, both of somewhat ancient vintage, were laid on for use during my entire visit. Dr. Cho was unable to see me until Tuesday morning, and during my call at that time arranged for me to see the Finance Minister and his experts in the afternoon.

3. Mr. Kim, a graduate of Columbia University, quickly got down to business. He did not attempt to disguise the fact that he was in a hurry for the money, and that anything that could reasonably be done to accelerate the pace of repayment would please him. I explained our position, drawing attention, first of all, to paragraph 1(a) and pointing out that unless he could agree to acceptance of the conversion rate as of the time of advance rather than of expenditure, negotiations might drag on for months, since insistence on the latter would make repayment for this period difficult for us to compute. Further, we were convinced that the Canadian paymaster expended the sums almost as soon as advanced, since he knew that he could always secure more the minute it became necessary.

4. I emphasized the general principle involving repayment on terms no less favorable than those granted the Government of the United States since May 31, 1954, and left our draft for study by his experts.

,.../2

Internal
Circulation

Distribution
to Posts

- 2 -

5. At our next meeting, Mr. Kim remarked that a study of paragraph 1(h) had convinced his experts that his government would stand to lose about \$1,000, if they accepted the time of advance rather than that of expenditure as the basis for repayment. After some further discussion on the subject, he said that he would give in on this point in the hope that his concession would lead to quick agreement on the rest of the draft. His experts indicated two mistaken dates in our draft, showing me the dated vouchers from the United Nations Funding Officer in their file. This correction of our mistake led to a further loss on the Korean part, since the rates on the corrected dates turned out to be more favorable to us.

6. The suggestion that the date of the agreement be extended to cover the only subsequent relevant drawing after June 30, 1955, seemed eminently sensible, but was inevitably to lead to delays not anticipated by Mr. Kim.

7. Further, since full powers were to be dispensed with, both Mr. Kim and I were under the misapprehension at the time of my arrival in Seoul that, if agreement with Ottawa on the draft could be reached, I would be enabled to sign before leaving Seoul. Accordingly, the Finance Minister gave every assistance possible.

8. In general, nothing more could have been demanded of the ROK officials with whom I dealt. My previous acquaintance with Dr. Cho had left him well disposed, and, in fact, he staged a small kaesang (Korean geisha) dinner in my honor, attended by the Finance Minister, an Assemblyman, and a half dozen stolid looking kaesang girls. The desire of the ROK Foreign Minister to establish diplomatic relations with Canada, and the impatience of the Finance Ministry to secure the Canadian dollars owed to them probably explained the sweet reasonableness of my reception - a reasonableness which the Norwegians on somewhat the same mission are not at the moment receiving, since they have conditioned their payment on the cancellation of bills for water, electricity and other services.

9. My difficulties were not so much with the Koreans as with other factors - particularly communications. The difficulties of conducting this sort of operation primarily from a hotel room in Seoul have to be lived through to be appreciated. First of all, one must assume that one's quarters are wired, and that all conversation must be guarded. Secondly, fast and secure communications with Tokyo, or through it to Ottawa, do not exist. My only means of secure communication was through the British Legation in Seoul, which is given a channel to Tokyo merely three times a day, and none from Saturday noon to Monday morning. The imposition on an overburdened small male staff at the Legation was great, and I am extremely grateful to them for their patience with me. Outgoing communication was bound to be slow since my messages had to be coded for transmission to the British Embassy in Tokyo, and recoded again for onward transmission to Ottawa. (Canadian Embassy, Tokyo, mistakenly started to communicate with me by sending a message through Canadian Military Mission addressed to me at British Legation, Seoul. This meant that a "Secret" message for me arrived at Brigade Headquarters, 30 miles north of Seoul on the military circuit, and had to be carried down to Seoul over winter Korean roads by a despatch rider.)

.../2

- 3 -

10. One of the worst features of my use of the British Legation in this instance was the necessity to communicate through them the details of an agreement where we were asking for, and actually getting, a better rate of repayment than the British themselves had received. Since all my messages had to be signed by Stewart, the United Kingdom Minister, I believe that he must have become aware of this and, although he and his staff were decent about the whole matter, my position was delicate, and my attempt to ignore this factor may not have been entirely successful.

11. South Korea is still primitive in many of its facilities. The local BCFK paymaster, 20 miles away at Inchon, was summoned at one point to come to Seoul to discuss his recent methods of payment, but it took a shouted conversation whose decibels must have almost split the instrument to enable him to hear the command over an impossible telephone circuit. He came by jeep but did not arrive until the following day.

12. Had it been necessary to type the final draft of the agreement in Seoul, I should have had to see if such a thing as a public stenographer could be hired for the purpose, since the British Legation possesses none, has all male staff and each man types his own material.

13. Since the securing of relative information in Seoul was almost impossible, partly because of the incompleteness of British Legation files on this military topic, and since the securing of such information in Japan can only be gained from the BCFK paymaster's office in Kure, some 550 miles from Tokyo, I was hard put to it to suggest appropriate rates of exchange to the Finance Minister for the changed dated of December 10, 1954 (1(h) of draft) and the additional date of August 5 (1(p) of draft). My only recourse was to ask Mr. Kim what the rates should be, reminding him that they should correspond with the better of the U.S. and U.K. rates for those dates. His experts came up with the answers without much delay. When I suggested, as instructed, that the rate for the revised date of October 20, 1954 (1(f) of the draft) should be 320 instead of 319, Mr. Kim, in what was almost a gesture of exasperation, said, "Mr. Newton, do you mean that you really wish to make a change in the document for the sake of one hwan!", but then consented.

14. I departed informing Mr. Kim and Dr. Cho of my hope that the delay in permission to sign would not extend to more than a week or ten days, and that, whenever such instructions came from Ottawa, I expected that I would be able to return for the signing. Dr. Cho did not look with favor on any possibility of signing in Tokyo or through correspondence. On my arrival in Tokyo, I found that your telegram indicating agreement in substance had just been received.

15. In the main, although somewhat trying for reasons other than the attitude of the Korean officials, (which was unexpectedly co-operative) the negotiations have, I feel sure, enabled us to save a good deal of money for the Canadian taxpayer without damage to such relations with the Korean Government as we possess. The sooner the conclusion of the matter can be brought about, the happier both the Koreans and I will be.

T. F. M. NEWTON
The Embassy.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO. THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM:THE CANADIAN EMBASSY, TOKYO, JAPAN.

Reference: ... Our telegram No. 37 of February 20.

Subject: Final draft of Korean Currency
..... Agreement.

Security: ..CONFIDENTIAL.....

No: 172

Date: ... February 21, 1956.

Enclosures: 1

Air or Surface Mail: ... Air

Post File No: 212-713A

Ottawa File No.	
72-4-1	

References

The appended final draft of the Korean currency agreement is submitted for your inspection. Since it co-incides with the changes agreed upon by the Korean Finance Minister, a copy has been sent through the R.O.K. mission her to Seoul for checking, simply to facilitate quick signing upon my arrival whenever that may be decided upon. If you agree with the text, telegraphic approval can be given *to us here*.

2. We are in some doubt here about the form of signature. The Koreans are likely to have an aversion to my signing as Minister-Counsellor, Canadian Embassy, Tokyo, since their antipathy to anything Japanese is great. We assume that the place of signing should be indicated as "Seoul" followed by the appropriate date. Should we insist on the Koreans accepting the signature of an official designated as from "Canadian Embassy, Tokyo," or can you suggest any other subscription which will avoid this?

T. L. H. NEWTON

The Embassy.

Internal
Circulation

Distribution
to Posts

S E C R E T

21 FEB 56

7-2-41

MEMORANDUM

FROM : CAPT MOON

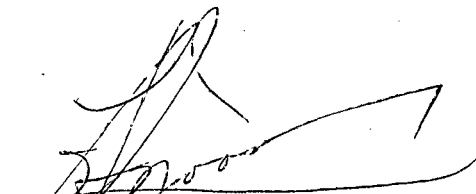
TO : COLONEL ELWOOD

Sir :

I am enclosing copy of draft Agreement (file FA/305 d/30 Sep 54) relating to settlement of WON and HWAN drawings made by United Kingdom, Australia, and New Zealand.

A thorough search of available files did not bring to light a copy of the actual agreement which was signed on 28 Sep 54. Col Crane assures me, however, that the actual agreement does not differ materially from the attached draft.




(L.H. MOON) Capt

(R.G. STAGEY) CAPT.
CANADIAN MILITARY
MISSION
FAR EAST

23 FEB 56

Commander for see

S E C R E T

Rates in force when Advances made

WON/HUAN RATES

7-2-4-1

£1

= 81⁰⁰ US

Up to 30 Sept 50	WON 5040
1.10.50 - 6.11.50	" 7000
7.11.50 - 12.3.51	" 11200
13.3.51 - 24.2.53	" 16800
25.2.53 - 31.5.53	HUAN 168
1.6.53 - 31.3.54	" 504
1.4.54 - 31.5.54	" 505.8
1.6.54 - 30.9.54	" 506.7
1.10.54 - 31.12.54	" 504
1.1.55 - 31.1.55	" 866
1.2.55 - 18.3.55	" 1189
19.3.55 - 12.4.55	" 1353
13.4.55 - 18.5.55	" 1203
19.5.55 - 5.6.55	" 1164
6.6.55 - 8.7.55	" 1423
9.7.55 - 7.8.55	" 1302
8.8.55 - 22.8.55	" 1651
23.8.55 - 29.9.55	" 1393
30.9.55 - 4.11.55	" 1394
5.11.55 - 30.11.55	" 1399
1.12.55 - 14.12.55	" 1400
15.12.55 - 31.1.56	" 1401
1.2.56 -	" 1400

2500.

4000.

6000.

180.

180.

COPY

C R E T

FA/205

30 September, 1954.

Command Paymaster,
31 Command Pay Office,
B.A.P.O. 5.

1. It is understood that an Agreement was signed on 28th September, 1954 between H.M.G. and R.O.K. regarding a settlement for past as well as future drawings of Won/Hwan. I have not yet seen a copy of the Agreement, but I assume that it is very similar to the draft which is in our file. I am therefore writing so as to give you advance notification of certain points included in the draft Agreement which will affect or be of interest to you.
2. The draft relates only to drawings on behalf of U.K. Australia and New Zealand. Drawings by Canada are not covered, and will presumably be the subject of a separate Agreement.
3. Payment to R.O.K. will be assessed on the following basis:-
 - (a) Up to 23 February, 1953. At the military conversion rate prevailing at the time the local currency was actually expended.
 - (b) 24 February, 53- 31 May, 1954. At the military conversion rate prevailing at the time the local currency was advanced.
 - (c) 1 June, 1954 onwards. At the military exchange rate in force on the date or dates when advances are made and the middle market rate in London for the U.S. dollar on the date of the advance.
4. Actual payment of the amount due will be effected in sterling, at the following times:-
 - (a) An immediate lump sum payment of £1,800,000.
 - (b) The balance of the amount due up to 31st May, 1954 will be paid within one calendar month of the signing of the Agreement.
 - (c) Advances after that date will be settled within 20 days of the end of the month in which they are drawn.
5. In the event of a devaluation of the Hwan, affecting Hwan advanced, R.O.K. will allow six day's grace after devaluation for the return of hwan balances to R.O.K.
6. R.O.K. will grant a rebate of 5% on official expenditure, but not on exchanges. For this purpose, issues to the Foreign Office are being treated as exchanges, and issues to NAAFI as official expenditure. This rebate, however, is subject to amendment in the event of any change in the rebate granted to the U.S. Forces.
7. It is emphasised that paras 3-6 above are based on the draft Agreement which may have been slightly modified, but it is worthwhile to draw your attention now to the following points.
8. Method of payment. Our latest information is that amounts due will be paid to the account of the bank of Korea at Barclays Bank in London.
9. Assessment of amount due. This office is assessing the amount due to R.O.K. in respect of past drawings.

000015

2.

From then on you will have to notify this office:-

- (a) immediately an advance is received.
- (b) within 12 days of the beginning of each month, the amount of exchanges (see para 6 above) during the previous month. Should there have been a devaluation of the HWAN, the amount exchanged before and after that date should be shown separately.

10. With regard to (a) above, it is necessary to understand what the "date" of an advance should represent. There are three alternatives -

- (a) the date of draft is signed by the UNFO.
- (b) the date B.C.F.K. collects the draft from 8 U.S. Army.
- (c) the date the draft is paid in to 208 F.C.O. bank account.

There is, under your present procedure, a considerable time-lag between (a) and (c), sometimes as much as two weeks.

Apparently the R.O.K consider that (a) is the correct interpretation. This being so, it is most important that the time-lag should be reduced to the minimum and that a month-end should not intervene between (a) and (b). It will also be necessary to ensure that the cash Balance which you report in the event of devaluation (see para 11 below) includes any draft which UNFO may have signed, even though it is not paid into your bank account.

Would you please confirm that arrangements will be made in accordance with the last sub-paragraph, and what time-lag, if any, there is likely to be in future?

11. Action in the event of devaluation. It is not yet certain whether R.O.K. will require the physical return of all cash holdings or merely a certificate as to the amount held. For the moment we should plan on the former.

It has been agreed that the cash holdings will include -

- (a) all HWAN held by Cashiers and Imprest Holders which was obtained from UNFO (but see para 12 below).
- (b) all HWAN held by sponsored organisations who obtain their HWAN from BCFK (viz. NAAFI, Br. Legation)
- (c) HWAN held by messes and canteens up to the amount of their last exchange at an F.C.O. It is expected that these holdings will be very small.

You will note that HWAN in the possession of troops is not covered and that they will not therefore receive any compensation. It is proposed to issue an Order advising troops not to hold too much HWAN.

- As all the transactions involved will pass through your books, notification of the amounts held should be signalled to you. It is therefore preferable that the signal requesting Units etc. to report and return their holdings should be despatched by you.

With regard to (c) above, OC. Units will be required to follow-up their signal reporting their holdings, with a certificate that the sum was within the amount of their last exchange, the date and amount of which should be quoted.

000016

3.

Receipts from sale of stores in Korea. Periodically army stores will be sold in Korea for HWAN. The first sale was held in mid-September, 1954. It is the intention to regulate such sales in order to prevent the accumulation of an excessive HWAN balance. In the event of devaluation of the HWAN, BCFK will not receive any compensation from R.O.K. in respect of HWAN derived from sources other than UNFO, and it is important therefore that such privately acquired sums shall be expended before monies drawn from UNFO.

When reporting the cash balances in accordance with para 11 (a) above, care must be taken to segregate money drawn from UNFO and that derived from the sale of stores. To this end, it will be necessary for you to ascertain the cash balances held by Cashiers immediately before the receipts for the last sale of stores. The amount by which (a) the Cashier's current holdings exceed (b) the amount they held before the salvage receipts plus (c) any subsequent drawing from UNFO, will then represent the unexpended balance of salvage receipts. The following are two examples -

	<u>Example A</u>	<u>Example B</u>
Amount previously held (see (b) above)	40 m.	40 m.
Subsequent drawings from UNFO (see (c) above)	<u>20 m.</u>	<u>10 m.</u>
	60 m.	50 m.
Current holdings (see (a) above)	62.	48 m.

Under Example A, the balance of salvage receipts would be 2 m. and the amount to be returned to R.O.K. would be 60 m. Under Example B, the whole of the current holdings (48 m) would be returned to R.O.K.

13. Hwan holdings. The present instructions are that holdings should not fall below one month's supply, nor exceed two months. These limitations include all HWAN, no matter whether it is drawn from UNFO or is derived from the sale of stores. It may eventually be possible to reduce it slightly, but meanwhile it still applies.

14. If you have any queries or comments on the above, please do not hesitate to let me know.

Sgd. B.E. Alderson
Brigadier,
Financial Adviser to C. in C.

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

2nd Copy

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFD	X
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM DOMCAN TOKYO			
		TO EXTERNAL OTTAWA			

INFO

ORIGINATOR'S NO.

REFERENCE YOUR TELEGRAM DL-43 OF FEBRUARY 16, 1956.
SUBJECT KOREAN CURRENCY

ALL REVISIONS OF ORIGINAL DRAFT AGREEMENT WERE EITHER PROPOSED BY OR ACCEPTED BY KOREAN MINISTER OF FINANCE BEFORE NEWTON'S RETURN FROM SEOUL TEN DAYS AGO. IN VIEW OF PARA 3 OF YOUR DL-34 OF FEBRUARY 8 WE HAVE BEEN STANDING BY AWAITING YOUR PERMISSION FOR HIM TO RETURN TO SEOUL FOR SIGNATURE OF AGREEMENT. INFORMATION ON RATES USED BY COMMONWEALTH COUNTRIES IN SETTLING ADVANCES PREVIOUS TO MAY 31, 1954 NOW BEING OBTAINED FROM CHIEF BCPK PAYMASTER IN KURE, JAPAN, FOR FORWARDING TO YOU BUT THEY DO NOT AFFECT SIGNATURE OF AGREEMENT. SINCE FURTHER POSTPONEMENT UNAVOIDABLE WE ARE FORWARDING IN WEDNESDAY BAG FOR YOUR CHECKING A COPY OF REVISED DRAFT AGREEMENT INCORPORATING CHANGES AGREED TO BY KOREANS AND BY YOU. WE ASKED KOREAN MINISTER TO TOKYO TO INFORM HIS GOVERNMENT OF OUR AGREEMENT IN SUBSTANCE BUT THAT GOVERNOR-IN-COUNCIL CONSIDERATION STILL TO BE OBTAINED. COMMUNICATION BETWEEN KOREAN MISSION HERE AND GOVERNMENT IN SEOUL IS TELEGRAPHICALLY POSSIBLE ONLY ONE

...../2

ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
		<i>Feb 20 / 86Z</i>	<i>210-7-13A</i>

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFD	
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM			
		TO			

INFO

ORIGINATOR'S NO.

- 2 -

HOUR EACH DAY AND COURIER BAG ONCE A WEEK. UNLESS YOU INDICATE OTHERWISE
 BY TELEGRAM WE PROPOSE TO SUBMIT SAME FINAL DRAFT WHICH WE ARE SENDING YOU
 TO LOCAL KOREAN MINISTER FOR FORWARDING TO SEOUL TO ENSURE VALIDATION OF
 TEXT FROM ROK STANDPOINT.

ORIGINATOR T.F.M. NEWTON/RP	TELEPHONE	DATE - TIME GROUP FEB. 20, 1956. Z	FILE NO.
---------------------------------------	-----------	--	----------

CMMFE 1-3

TOKYO, Japan

20 Feb 56

M E M O R A N D U M

TO: Mr Newton (through Mr Bertrand)

FROM: Military Attache


Subject: Settlement of Advances of Korean Currency

1. I am informed by Capt Moon, Senior Canadian Paymaster Korea and Japan, that in his discussion with Lt Col Crane, Paymaster, BCFK, it was learned that BCFK have not a signed copy of the agreement on their files. However, they have a draft copy which, they claim, is essentially the same as the agreement signed 28 Sep 54. Copy of draft agreement is being forwarded to me this date. Pending receipt here are the main points:

- (a) Settlement on behalf of UK, Aust and NZ components was on the following formula
- (b) Up to 23 Feb 53 at military conversion rate prevailing at the time local currency was actually expended
- (c) From 24 Feb 53 to 31 May 54 at military conversion rate prevailing at the time local currency was advanced
- (d) 1 Jun 54 onwards at military exchange rate in force on date or dates when advances are made and the middle market rate in London for the US dollar on the date of advance
- (e) ROK will grant a rebate of 5% on official expenditures but not on exchanges. For this purpose, issues to the Foreign Office are being treated as exchanges and issues to NAAFI as official expenditures. This rebate however is subject to an amendment in the event of any change in the rebate granted to the US Forces.
- (f) Lt Col Crane states 5% rebate has been received.

2. Rates in effect were:

3 Nov 50	2500 WON to \$1. US
31 Jan and 6 Feb 51	4000 WON to \$1. US
20 Apr 51 to 10 Jan 53	6000 WON to \$1. US
25 Feb 53	HWAN currency came into effect
25 Mar 53 to 31 May 54	180 HWAN to \$1. US


(ED Elwood) Colonel
Military Attache

~~Draft Korean copy~~

Seoul,

1956

Sir,

I have the honour to acknowledge receipt of Your Excellency's note of today's date which reads as follows:

(Quote in extenso)

In reply I have the honour to inform Your Excellency that the above mentioned terms are acceptable to the Government of the Republic of Korea, and that they, therefore, agree with your proposal that your note and this reply should be regarded as constituting an agreement between the two Governments which is effective on the date of this letter and shall remain in effect until such time as it is mutually agreed that the need therefor has ceased.

Kim HYUN Chul,
Minister of Finance

T. F. M. Newton, Esquire,
Minister-Counsellor,
~~Canadian Embassy,~~

~~Tokyo~~
*Special Representative
of the Government of Canada*

Draft Korean Reply

Seoul,

1956

Sir,

I have the honour to acknowledge receipt of Your Excellency's note of today's date which reads as follows:

(Quote in extenso)

In reply I have the honour to inform Your Excellency that the above mentioned terms are acceptable to the Government of the Republic of Korea, and that they, therefore, agree with your proposal that your note and this reply should be regarded as constituting an agreement between the two Governments which is effective on the date of this letter and shall remain in effect until such time as it is mutually agreed that the need therefor has ceased.

Kim HYUN Chul,
Minister of Finance

T. F. M. Newton, Esquire,
Minister-Counsellor,
Canadian Embassy,
Tokyo

210-7-13A

File 210-7-13A

Proposed addition to Paragraph (1) of Draft Note to Koreans

- (i) The advance made on January 6, 1955, at the rate of 445 hwan to the Canadian dollar;
- (j) The advance made on February 4, 1955, at the rate of 515 hwan to the Canadian dollar;
- (k) The advance made on March 9, 1955, at the rate of 509 hwan to the Canadian dollar;
- (l) The advance made on March 23, 1955, at the rate of 509 hwan to the Canadian dollar;
- (m) The advance made on April 12, 1955, at the rate of 508 hwan to the Canadian dollar;
- (n) The advance made on May 6, 1955, at the rate of 445 hwan to the Canadian dollar;
- (o) The advance made on June 6, 1955, at the rate of ~~445~~ hwan to the Canadian dollar.

518

CIPHER
MESSAGE

ARMY MESSAGE

(INCOMING)

Document disclosed under the Access to Information Act
Document divulgué en vertu de la loi sur l'accès à l'information

CLASSIFIED

PLACE FROM

OTTAWA

DATE & TIME

210-7-13A

IMPORTANT

FROM

EXTERNAL OTTAWA

TO

EMBASSY TOKYO

DL-43

CONFIDENTIAL

FEB 16/56

REFERENCE

OUR TELEGRAM DL-34 OF FEBRUARY 8/56.

SUBJECT

KOREAN CURRENCY.

WOULD APPRECIATE EARLY CONFIRMATION THAT THE
DRAFT AGREEMENT WITH THE AMENDMENTS INDICATED IN PARAGRAPH THREE
OF OUR TELEGRAM UNDER REFERENCE IS ACCEPTABLE TO THE KOREAN AUTHORITIES.

Miss Wesley

FEB 18 1956

Pls pass on for
action to Mr Newlon
first thing on Monday
morning. - I spoke to
him on Saturday. -

WJG

210-7-13A

Confidential
File 210-7-13A
February 13, 1956

Memorandum for Colonel Elwood

Settlement of Advances of Korean Currency

I should like to confirm our conversation of last Friday morning concerning the settlement of advances of Korean currency to Canadian Forces. The Department is urgently requiring that we obtain from either the British or the Australian Forces in Japan information on the military conversion rates which they used when they settled their liabilities with the Korean Government for the advances made up until May 31, 1954. The Department would like to compare them with those rates they have been using for their own internal accounting purposes.

2. The Department would like also to obtain information on the military conversion rates in force on the dates advances of Korean Currency were made to Canadian Forces for the period up to May 31, 1954, as per list attached.

3. As soon as this information is received, I shall forward it to Ottawa by telegram.

The Embassy.

Dates of Korean Currency Drawings

1950	3 November	1953	16 October
1951	31 January		7 December
	6 February	1954	6 January
	20 April		19 February
	7 May		18 March
	19 May		20 April
	29 May		21 May
	8 June		
	28 June		
	12 July		
	22 July		
	7 August		
	26 August		
	12 September		
	9 October		
	14 October		
	15 November		
	15 November		
	1 December		
	1 December		
	11 December		
	26 December		
1952	18 January		
	23 January		
	13 February		
	21 March		
	24 April		
	28 May		
	7 June		
	25 June		
	28 July		
	25 August		
	25 September		
	28 September		
	28 October		
	13 November		
1953	10 January		
	25 March		
	20 May		
	2 July		
	August		
	3 September		

CIPHER
MESSAGE

ARMY MESSAGE

(INCOMING)

Document disclosed under the Access to Information Act
Document divulgué en vertu de la Loi sur l'accès à l'information

CLASSIFIED

Beitrand

PLACE FROM

OTTAWA

DATE & TIME

FEB 9/56

210-7-13A

I M M E D I A T E

FROM

EXTERNAL OTTAWA

FEB 10 1956

TO

EMBASSY TOKYO

DL-34

CONFIDENTIAL

FEBRUARY 8/56

REFERENCE YOUR NO. 27 OF FEBRUARY 7.

SUBJECT

KOREAN CURRENCY.

WE AGREE TO SUGGESTED RATES OF 440 REPEAT 440 IN
PARA 1 (H) AND 601 REPEAT 601 IN PARA 1(P).

2. WE AGREE ALSO THAT THE PROVISIO REGARDING DELETION OF
PARA THREE IS UNNECESSARY. WE SHALL HOWEVER BE ASKING FOR CLARIFICATION ON
THIS POINT AT A LATER DATE.

3. NEWTON MAY TELL KIM THAT THE DRAFT AS NOW AMENDED
(IE INCORPORATING THE CHANGES INDICATED IN OUR TELEGRAMS DL-18, DL-24, DL-30,
DL-32 AND IN THIS TELEGRAM) IS ACCEPTABLE TO CANADIAN OFFICIALS AND THAT IT WILL
BE SUBMITTED PROMPLY FOR CONSIDERATION OF GOVERNOR-IN-COUNCIL.

4. WE WOULD APPRECIATE RECEIVING AS SOON AS POSSIBLE
INFORMATION ON RATES USED BY OTHER COMMONWEALTH COUNTRIES IN SETTLEMENT OF
ADVANCES MADE UP TO MAY 31, 1954, AS WELL AS ON MILITARY CONVERSION RATES ON
DATE OF ADVANCES TO CANADIAN FORCES. THIS INFORMATION IS NECESSARY FOR THE
FINAL DETERMINATION OF THE RATES WHICH WE WILL USE UNDER PARA 1(A) OF THE
AGREEMENT, AND WHICH WILL THEN HAVE TO BE ACCEPTED BY THE KOREANS.

210-7-13A

Tokyo, February 9, 1956.

Dear Basil,

I attach hereto copy of telegram for onward transmission to Mr. Newton through your Legation in Seoul, as per our telephone conversation. Again, many thanks for your courtesy in this matter.

Yours sincerely,

G. Bertrand,
Third Secretary.

Basil Greenhill, Esquire,
First Secretary,
The British Embassy,
Tokyo.

Immediate

En clair

For Newton, British Legation, Seoul.

From Davis, Domcan, Tokyo.

**UNFORTUNATELY NO REPLY RECEIVED YET FROM
DEPARTMENT TO YOUR REQUEST FOR INSTRUCTIONS. I
ASSUME THAT IF YOU RETURN TODAY AS SCHEDULED FURTHER
COMMUNICATIONS ON THIS SUBJECT CAN BE FORWARDED THROUGH
BRITISH MINISTER, SEOUL, OR KOREAN MISSION, TOKYO**

G.Bertrand/jt

File 210-7-13A

CONFIDENTIAL

February 8, 1956

Memorandum for Canadian Military Mission Far East

Att. Captain Stacey

For the purpose of settling with the Korean Government the question of the advances of Korean currency to the Canadian troops, the Department has requested that we obtain the military conversion rates which either the Australian or the British forces used in calculating their liabilities with respect to advances of Korean currency made up until May 31, 1954. I should be grateful if you would undertake to secure this information from the appropriate BCFK authorities as soon as possible since the information is urgently required by the Department.

The Embassy.

CALL:—		W/T NR:— 196	GRS:— 64	DATE		
PREAMBLE				T.O.R.	0336/	
Aso Tokyo IMMEDIATE				T.O.D.	3	
				PRECEDENCE		
1	01803.	Please pass following			5	
6	to NEWTON.	from DAVIS DOMCAN			10	
11	TOKYO.				15	
16	No reply has yet been				20	
21	received from OTTAWA on				25	
26	changes to our date note				30	
31	submitted by minister				35	
36	himself though no serious				40	
41	objections have been				45	
46	You may wish therefore				50	
51	to please have stay in				55	
56	home until after				60	
61	next week as a reply				65	
66	is expected to be made				70	
71	today at all the latest				75	
76	transmission				80	
81		Dealing			85	
86	I have phoned Mr Newton,				90	
91	of this.				95	
96					100	

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE	FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
			TOPSEC	
OPERATIONAL IMMEDIATE	X		SECRET	
PRIORITY			CONFD	X
ROUTINE		GR	RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED	FROM DOLCAN TOKYO TO EXTERNAL OTTAWA			

INFO

ORIGINATOR'S NO.

27

REFERENCE: Your telegrams No DL-30 and DL-32 of February 2, 1956.

SUBJECT: Korean Currency.

Newton advises that exchange of Full Powers unnecessary and that Koreans agree to:

- a) rate of 320 you suggested for Paragraph 1(f);
- b) deletion of paragraph 2 and 3.

~~Paragraph 2.~~

Other suggested changes reported by Newton are:

a) Paragraph 1(h) to read advances December 10, 1954 at rate of 440.05 to Canadian dollar. You will note that suggested rate is not corresponding to any of those which would be obtained if the three mentioned in paragraph 1(b) of your telegram No DL-30 were adjusted to Canadian dollar. Newton says that he cannot obtain in Seoul date of the three auctions held by the U.S. in December 1954, while it has not yet

ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
		Feb 7/56 Z	

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFD	
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM			
		TO			

INFO

ORIGINATOR'S NO.

2)

been possible for us to secure it in Tokyo. Would you readily agree to rate suggested by Koreans or would you prefer that rate which U.S. got at auction closest to December 10, 1954 be used, if date can be obtained? If you agree to rate suggested by Koreans please confirm our understanding that the decimal is to be deleted.

b) Paragraph 1(p) to read advance on August 5, 1955, in line with your records. Thus ~~paragraph 1(p)~~ date in paragraph 1 would be amended to read "up to and including August 5, 1955". For this drawing Koreans suggest rate of 600.88 to Canadian dollar which is slightly inferior to rate of 602 to Canadian dollar obtained by BCFK for a drawing made on August 8, and more advantageous than average rate of 510 obtained by U.S. at auctions held during period August 1-15. If Korean rate agreeable to you please confirm that decimal is to be deleted and one hwan added.

ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
		Z	

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFD	
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM			
		TO			

INFO

ORIGINATOR'S NO.

3)

Paragraph 3.

Newton states that he must leave for Tokyo Thursday noon but that if necessary he would return to Seoul next week for signature if agreement on substance is reached and signature authorized. He reports that Finance Minister Kim is anxious to sign and he has suspicions that if further debate on exchange rate terms is urged, Koreans will begin to be difficult. Matters would be simplified if prior to his departure Newton could give assurance to Kim that ~~agreement~~ agreement at the official level has been reached in Ottawa.

ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
		Z	

DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFD	
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM			
		TO			

INFO

ORIGINATOR'S NO.

4)

~~Paragraph~~ 4.

Regarding deletion of paragraph 3, Newton informs that since fixed exchange rate of 500 hwan to U.S. dollars on August 15, 1955, all advances drawn by BCFK have been straight banking exchanges with no rebate. Accordingly proviso regarding deletion of paragraph 3 unnecessary, Since that date we are drawing from BCFK crossed standard rate basis, an arrangement which has no connection with present negotiations. In other words we owe it to BCFK not to Korean Government for all hwan drawn since August 15, 1955.

DOLCAN

See [signature] 26

ORIGINATOR G. Bertrand /gb	TELEPHONE	DATE - TIME GROUP Z	FILE NO. 210-7-13 A
--------------------------------------	-----------	-------------------------------	-------------------------------

FOI

Registry
L...

Top Secret.
Secret.
Confidential.
Restricted.
Open.

EMERGENCY
IMMEDIATE
PRIORITY
ROUTINE
with priority
without
DEFERRED

(Date).....

Despatched.....M.

Draft.

Telegram to :—

Tokyo

No. 20

(Date) 7/2

Repeat to :—

[Security classification] Confidential
—if any

Addressed to Tokyo

telegram No. 20 (date) 7/2

repeated for information to

Confidential

Following for Canadian Embassy from Newton:
Reimbursement of ~~loan~~ to ~~Republic of~~ Korea Govern-
ment.

Please inform Department ROK Finance Minister
agrees to suggested changes in draft agreement as
follows:

1. Paragraph 1(f) rate to be 320 instead of 319.
2. Paragraph 1(h) to read advance December 10,
1954 at rate of 440.05 to Canadian dollar.
3. Insert para 1(p) to read advance on August 5,
1955 at rate of 600.88 to Canadian dollar.
4. Eliminate paragraphs 2 and 3 from agreement.
5. Formal exchange of full powers unnecessary.
6. Change date in first part of paragraph 1 from
June 30, 1955 to "up to and including August 5,
1955".

Minister Kim is in hurry and since he has
raised no difficulty suggest earliest possible
permission to sign. I must leave Seoul for Tokyo
Thursday noon but if necessary will return Seoul
next week for signature if agreement on substance
reached and signature authorised. If further
debate on exchange rate terms urged, I have suspec-
tion ROK officials will begin to be difficult.

Regarding deletion of paragraph 3 of note,

/Depart 000036

NOTHING TO BE WRITTEN IN THIS MARGIN.

~~En Clair.~~

~~Code.~~

Cypher. ←

Distribution :—

Copies to :—

Department perhaps unaware that since fixed exchange rate of 500 hwan to US dollar on August 15, 1955 all advances drawn by BCFK have been straight banking exchange with no rebate. Accordingly proviso re deletion of paragraph 3 unnecessary. We are and have been drawing from BCFK since August 15, 1955 on standard rate basis, and thus this arrangement has no connection with these negotiations with ROK Government. In other words we owe to the British not to ROK Government for all hwan drawn since August 15, 1955.

STEWART

St.

NOTHING TO BE WRITTEN IN THIS MARGIN.

TELEGRAM.

Cypher

Code

Clear

From:— Foreign Office

To:— Seoul

Despatched

Received

No. 23 of February 5

Confidential.

Following received from Tokyo tel.No. 24 to you begins.

Following for Newton from Davis.

My telegrams 21 and 22.

Korean currency.

para 2 should also be deleted

With reference to paragraph 3 of Ottawa telegram quoted in the immediately preceding communications, the Department advises as follows: "If paragraph 3 of the agreement is deleted since it implies that for advances made to Canadian forces after August 1955 we would have direct recourse to the Republic of Korea Government. If we are to receive Hwan through BCFK Paymaster payments for Hwan will presumably be made to him in Canadian dollars at rate which in effect would be the military conversion rate on the day of the advance or any more favourable rate obtained adjusted to take into account the rate of exchange between Canadian and United States dollars less 5 per cent. BCFK in turn would settle with the Koreans". Ends.

Omission from telegram provided by Bertrand on telephone from Tokyo to me in Seoul. 27

TELEGRAM.

Cypher

IMMEDIATE

Code

Clear

From:— Foreign Office

To:— Seoul

Despatched

Received

No. 22 of Feb 4

Confidential.

Following received from Tokyo tel.No. 22 to you begins.

From Davis DOMCAN to Newton.

Following are my comments to my immediately preceding telegram (a) paragraph 1(b) please secure date of these 3 auctions as information not available here. Rate for each once conversion into Canadian dollars effected should be in the order - 433, 539 and 537.

after 15th official rate
(b) paragraph 2. BCFK drawings in August 1955 were on 8th and 23rd for which rate of 592.5 and 500 respectively were obtained. For period 16 August - 15 August (sic) 1955 U.S. obtained at auction average rate of 510. You should ask for more favourable rate of 592.5 obtained by BCFK on 8th August drawings, closest to ours. Once converted into Canadian currency rate should be 602 repeat 602.

2. If Koreans agree to our counter proposals please make all necessary amendments in draft note not forgetting to:-

(a) change date in first part of para (i)

- 2 -

and in line 3 of para. 2.

(b) add 590 (p) to cover August 7th
advance

(c) delete "or were" in line 2 and 10
of para. (2) ends.

S O S F A

TELEGRAM.

Cypher

Code

Clear

From:—Foreign Office

To:— seoul

Despatched

Received

No. 21 of February 4

Confidential

Following received from Tokyo tel.No. 21 to you begins.

From Deputy (1 Group undec.) Tokyo to Newton.

My immediately preceding telegram.

Quoted below is reply from Department to your request for instructions: "changes of dates to October 20 and December 10, 1954 are in order. We consider the following adjustments in rates of exchange should be made in order to ensure agreement is technically correct, although they affect the amount to be paid only very slightly

(a) in paragraph 1 (f) the rate should be 320 since the U.S. Canadian rate was 0.9696875;

(b) in paragraph 1 (h) the rate should be changed by using the auction rates of 420, 522 or 88 on date closest to December 10, 1954 adjusted by the U.S. Canadian rate 0.968125.

2. We agree to extension of the agreement to cover advance of 600,000 hwan made in August 1955. Our records indicate date was August 5 rather than August 7, but this makes (? wide) difference since hwan rates being used after January 1, 1955 are either average monthly rate obtained by the U.S. at auctions or the best rate obtained by B.C.F.K. whichever is higher. We would have to use U.S./Canadian rate on August 5 since August 7 was Sunday and the Bank of Canada is closed on Saturday. This rate is 0.9840625.

/3.

3. We agree to the deletion of paragraph 3 of our Note provided we can obtain Korean currency from BCFK on terms no less favourable than those granted to other Commonwealth countries, and BCFK is obtaining currency in accordance with U.K. - Republic of Korea agreement on currency drawings. ✓

*not.
Just to say*

4. We would be prepared to proceed without formal exchange of full powers, and assume from the absence in your telegram of any mention of this that such an arrangement would also be satisfactory to the Korean Government. As issuance would require several days your confirmation would be appreciated.

5. We could not repeat not however authorise signature before approval by the Governor in Council which may be possible next week if agreement is reached promptly on substance. Please inform us as soon as possible whether changes suggested in paragraph 1 and paragraph 2 are acceptable to the Koreans."

My comments on this telegram are contained in my immediately following telegram. Ends.

SOSFA

Document disclosed under the Access to Information Act
Document divulgué en vertu de la Loi sur l'accès
à l'information

I. T. T. COMMUNICATIONS
OFFICIAL ADVICE

5TH FEBRUARY 1950

TO: IMMEDIATE PRODROME SEOUL

REF: HS630/4TH

DEAR SIR,

WE HAVE RECEIVED THE FOLLOWING CORRECTION FROM SINGAPORE.
REGARDING THE RADIOGRAM WHICH YOU HAD RECEIVED ON THE 4TH OF INST.

PLEASE READ THE SIGNATURE AS "SOSFA BT".

FAITHFULLY YOURS.

International Telegraph office

Traffic Dept

by B.S. CHANG

서울 國際電信電話 000043

CALL:—		W/T NR: 847	GRS:— 32	DATE	
PREAMBLE				T.O.R.	0022
APY / OK To				T.O.D.	6
10P. MIN. & J. A. 13				PRECEDENCE	
1	02004	Sh. To O. No. 19			5
6					10
11	Following	FOR NEWTON.			15
16	from DAVIS.				20
21	Following two	also contains			25
26	letter instructions.				30
31	of your wife	have been			35
36	informal that you may				40
41	now be a letter to the				45
46	TOKYO Monday				50
51					55
56		evening			60
61					65
66					70
71					75
76					80
81					85
86					90
91					95
96					100

CALL:—		W/T NR: 848	GRS:— 36	DATE	
PREAMBLE				T.O.R.	0028/
APP Tokyo				T.O.D.	16
				PRECEDENCE	
1	02304	Following	for	NEWTON	5
6	from	DAVIS,			10
11		Begin.			15
16		No	double	you	20
21	ate	curate	L.T. COOK	SLACK	25
26	in	phases	of	CANADIAN	30
31	FIELD	AMBULANCE	was	Killed.	35
36	last	night	in	motor	40
41	accident.				45
46		Please	Relay	information	50
51	you	can	End.		55
56			Denial		60
61					65
66					70
71					75
76					80
81					85
86					90
91					95
96					100

G. Bertrand/rp

CONFIDENTIAL

Tokyo, February 4, 1956.

Dear Mr. Knight,

Further to our conversation on the telephone this morning, I attach for your attention two copies each of the two telegrams which I should be grateful if you would forward immediately to Mr. Newton of our Embassy, c/o your Legation in Seoul, through the communication facilities of your office.

Thank you for your kind attention to this matter.

Yours sincerely,

G. Bertrand
Third Secretary.

M. Knight, Esquire,
British Embassy,
No. 1, Ichiban-cho,
Chiyoda-ku,
Tokyo.

OUTGOING MESSAGE

IMMEDIATE

CONFIDENTIAL

FROM: DOMCAN, TOKYO.

TO: NEWTON, BRITISH LEGATION, SEOUL.

Quoted below is reply from Department to your request for instructions:

"Changes of date to October 20 and December 10, 1954 are in order. We consider that the following adjustments in rates of exchange should be made in order to ensure that the agreement is technically correct, although they affect the amount to be paid only very slightly:

(A) In paragraph 1(f) rate should be 320, repeat 320, since US Canadian rate was 0.9696875;

(B) In paragraph 1(h) rate should be changed by using auction rate 420, 522 or 520 on date closest to December 10, 1954, adjusted by US Canadian rate of 0.968125 repeat 0.968125.

2. We agree to extension of agreement to cover advance of 600,000 hwan made in August 1955. Our records indicate date was August 5 rather than August 7, but this makes no difference since hwan rates being used after January 1, 1955, are either average monthly rate obtained by us at auction or best rate obtained by BCFK, whichever is higher. We would have to use US/Canadian rate on August 5 since August 7 was Sunday and Bank of Canada is closed on Saturday. This rate is 0.9840625 repeat 0.9840625.

3. We agree to deletion of paragraph 3 of our note provided that we can obtain Korean currency from BCFK on terms no less favourable than those granted to other Commonwealth countries, and BCFK is obtaining currency in accordance with the UK-ROK agreement on currency drawings.

..... 2

- 2 -

4. We would be prepared to proceed without formal exchange of full powers, and assume from absence in your telegram of any mention of this that such an arrangement would also be satisfactory to Korean Government. As issuance would require several days your confirmation would be appreciated.

5. We could not, repeat not however authorize signature before approval by Governor in Council, which may be possible next week if agreement is reached promptly on substance. Please inform us as soon as possible whether changes suggested in paragraphs 1 and 2 are acceptable to Koreans. End quote.

My comments on this telegram are contained in immediately following communication. Davis.

File 210-7-13A

OUTGOING MESSAGE

EN CLAIR

FROM: DOMCAN, TOKYO.

TO: BRITISH LEGATION, SEOUL.

Following for Newton.

No doubt you are aware Lt. Col. Slack
in charge of Canadian Field Ambulance was killed
last night in motor accident. Please help where
you can. Davis.

February 4, 1956.

G. Bertrand/rp

OUTGOING MESSAGE

IMMEDIATE

CONFIDENTIAL

FROM: DAVIS, DOMCAN, TOKYO.

TO: NEWTON, BRITISH LEGATION, SEOUL.

Following are my comments on immediately preceding telegram:

a) Paragraph (B)

Please secure date of these three auctions as information not available here. Rate for each once conversion into Canadian dollars effected, should be in order ~~given~~ - 433, 539 and 537.

b) Paragraph 2

BCFK drawings in August 1955 were on the 8th and the 23rd for which rates of 592.5 and 500 respectively were obtained. For period August 1-15, 1955, U.S. obtained at auctions average rate of 510. You should ask for more favourable rate of 592.5 obtained by BCFK on August 8 drawing, closest to ours. Once converted into Canadian currency rate should be 602 repeat 602.

2. If Koreans agree to our counter proposal, please make all necessary amendments in draft note, not forgetting to:

- a) Change date in first part of paragraph (1) and in line 3 of paragraph 2.
- b) Add sub-paragraph (p) to cover August 7 advance.
- c) Delete "or were" in lines 2 and 10 of paragraph (2).

Davis.

February 4, 1956.

G. Bertrand/jt

Our File No. 210-7-13A

Tokyo, February 3, 1956.

Dear Basil,

Further to our previous conversations over the telephone, I attach for your attention the text of a telegram which I should be grateful if you were kind enough to forward to Mr. Newton in Seoul as soon as possible through the channels of your Embassy. The telegram is en clair and has, of course, been approved by the Ambassador.

Yours sincerely,

G. Bertrand,
Third Secretary.

Basil Greenhill, Esquire,
British Embassy,
Tokyo.

FROM: DAVIS DOMCAN TOKYO
TO: NEWTON, BRITISH LEGATION, SEOUL

February 3, 1956

En Clair.

NO REPLY HAS YET BEEN RECEIVED FROM OTTAWA
ON CHANGES TO OUR DRAFT NOTE SUGGESTED BY MINISTER KIM
THOUGH NO SERIOUS OBJECTIONS ARE FORESEEN. YOU MAY WISH
THEREFORE TO PROLONG YOUR STAY IN SEOUL UNTIL EARLY
NEXT WEEK AS A REPLY IS EXPECTED SOME TIME TODAY OR AT
THE LATEST TOMORROW.

DAVIS

File - 210-7-13A

IMMEDIATE
CONFIDENTIAL

FROM: DOMCAN, TOKYO

TO : NEWTON, BRITISH LEGATION, SEOUL

REFERENCE: DAVIS
~~RE~~ TWO IMMEDIATELY PRECEDING TELEGRAMS

SUBJECT : KOREAN CURRENCY

With reference to paragraph three of Ottawa telegram quoted in immediately preceding communications, the Department advises as follows:

" If paragraph three of the Agreement is deleted, paragraph two should also be deleted since it implies that for advances made to Canadian Forces after August 1955, we would have direct recourse to The ROK Government. If we are to receive then Hwan through BCFK paymaster, payments for Hwan will presumably be made to him in Canadian dollars at a rate which in effect would be the military conversion rate on the day of the advance, or any more favourable rate obtained adjusted to take into account the rate of exchange between the Canadian and US dollars, less 5%. BCFK in turn would settle with the Koreans"

DOMCAN

CIPHER
MESSAGE

ARMY MESSAGE

(INCOMING)

Document disclosed under the Access to Information Act
Document divulgué en vertu de la Loi sur l'accès à l'information

CLASSIFIED

PLACE FROM

DATE & TIME

OTTAWA

FEB 4/56

Mr. Lalonde
Reim Rukh
4/3
IMMEDIATE

FROM

EXTERNAL OTTAWA

TO

EMBASSY TOKYO

DL-32

CONFIDENTIAL

FEB 2/56

REFERENCE

OUR TELEGRAM DL-30 OF FEBRUARY 2/56

SUBJECT

KOREAN CURRENCY.

WITH REFERENCE TO PARAGRAPH THREE OF TELEGRAM DL-30,
IF PARAGRAPH THREE OF THE AGREEMENT IS DELETED PARAGRAPH TWO SHOULD ALSO BE
DELETED SINCE IT IMPLIES THAT FOR ADVANCES MADE TO CANADIAN FORCES AFTER
AUGUST 1955, WE WOULD HAVE DIRECT RECOURSE TO THE ROK GOVERNMENT. IF WE
ARE TO RECEIVE THEM HWAN THROUGH THE BCFK PAYMASTER, PAYMENTS FOR HWAN WILL
PRESUMABLY BE MADE TO HIM IN CANADIAN DOLLARS AT A RATE WHICH IN EFFECT WOULD
BE THE MILITARY CONVERSION RATE ON THE DAY OF THE ADVANCE, OR ANY MORE
FAVOURABLE RATE OBTAINED ADJUSTED TO TAKE INTO ACCOUNT THE RATE OF EXCHANGE
BETWEEN THE CANADIAN AND US DOLLARS, LESS 5%. BCFK IN TURN WOULD SETTLE
WITH THE KOREANS.

2. WE WOULD APPRECIATE IT IF YOU WOULD OBTAIN FROM ONE OF
THE OTHER COMMONWEALTH MISSIONS THE MILITARY CONVERSION RATES WHICH IT USED IN
CALCULATING ITS LIABILITIES WITH RESPECT TO ADVANCE MADE UP UNTIL MAY 31, 1954,
IN ORDER THAT WE MAY COMPARE THEM WITH THE ONES WE HAVE BEEN USING FOR OUR OWN
INTERNAL ACCOUNTING PURPOSES. WE REALIZE THAT FOR ADVANCES MADE BEFORE FEB.
23, 1953, THE OTHER COMMONWEALTH COUNTRIES USED THE DATE ON WHICH THE LOCAL
CURRENCY WAS EXPENDED, WHILE WE WILL BE USING THE RATE ON THE DATE THE
CURRENCY WAS ADVANCED. THE INFORMATION WOULD NEVERTHELESS BE USEFUL.

PLACE FROM

DATE & TIME

FAVOURABLE THAN THOSE GRANTED TO OTHER COMMONWEALTH COUNTRIES, AND BCFK IS OBTAINING CURRENCY IN ACCORDANCE WITH THE UK-ROK AGREEMENT ON CURRENCY DRAWINGS.

4. WE WOULD BE PREPARED TO PROCEED WITHOUT FORMAL EXCHANGE OF FULL POWERS, AND ASSUME FROM ABSENCE IN YOUR TELEGRAM OF ANY MENTION OF THIS THAT SUCH AN ARRANGEMENT WOULD ALSO BE SATISFACTORY TO KOREAN GOVERNMENT. AS ISSUANCE WOULD REQUIRE ~~SEVERAL~~ SEVERAL DAYS YOUR CONFIRMATION WOULD BE APPRECIATED.

5. WE COULD NOT, REPEAT NOT HOWEVER AUTHORIZE SIGNATURE BEFORE APPROVAL BY GOVERNOR IN COUNCIL, WHICH MAY BE POSSIBLE NEXT WEEK IF AGREEMENT IS REACHED PROMPTLY ON SUBSTANCE. PLEASE INFORM US AS SOON AS POSSIBLE WHETHER CHANGES SUGGESTED IN PARAGRAPHS 1 AND 2 ARE ACCEPTABLE TO KOREANS.

DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE	X			SECRET	
PRIORITY				CONFD	X
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM Domcan, Tokyo			
		TO External, Ottawa.			

① Original signed by Ambassador
② Mr. Halstead

INFO

ORIGINATOR'S NO.
20

Reference Your Telegram DL-24 of January 26 1956
Subject Korean Currency

To see by before filing
[Signature]

Newton advises that according to Koreans and on basis of UN Funding Officer invoices in their possession which he has seen, drawings indicated in our draft as of October 1, ~~1954~~ and December 31, 1954, were actually made on October 20 and December 10, 1954. Koreans wish note changed accordingly. I assume, if you agree, that you do not wish to change rate for December drawing in view of slight difference involved.

2. Koreans suggest extension of Agreement to include August 7, 1955 advance of 600,000 Hwan, the only drawing made until today since June 30, 1955. Any further drawing would take place as normal banking transaction ~~with~~ with BCFK paymaster and without any recourse to ROK Government. Quite rightly I believe, Koreans state that if this agreed to, Paragraph 3 of our Note becomes unnecessary.

3. Newton states Korean Finance Minister would reluctantly

ORIGINATOR	TELEPHONE	DATE TIME GROUP Feb 11/56 Z	FILE NO.
------------	-----------	--------------------------------	----------

DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFD	
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM			
		TO			

INFO

ORIGINATOR'S NO.

2....

be prepared to sign present agreement with changes mentioned in paragraph one above and would much prefer proposed extension of date to include August 7 drawing which would become Paragraph 1 (p). If these changes made, he will sign at once.

4. I think Korean requests reasonable.

5. Please rush reply ~~xxx~~ since Finance Minister would like to ~~xxx~~ ~~xxx~~ sign Agreement on Friday, Korea time.

DAVIS

ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
G. Bertrand/ gb		February 1, 1956 Z	210-7-13A

NR 355 GR 330

IMMEDIATE

Action taken. —
VB. —

TOKYO FROM SEOUL

01501

PLEASE PASS FOLLOWING TO CANADIAN EMBASSY FROM NEWTON BEGINS.

1. I HAVE HAD TWO SESSIONS WITH FINANCE MINISTRY ON DRAFT NOTE WITHOUT SERIOUS OBSTACLES ALTHOUGH FINANCE MINISTER OBJECTED TO SECTIONS (1) (B) REGARDING MILITARY CONVERSION RATE WHEN CURRENCY ADVANCED RATHER THAN WHEN CURRENCY^{EN} EXPENDED, ~~XXXXXXXXXX~~ MAINTAINING THAT COMPARISON SHOWED THIS WOULD MEAN MODEST LOSS TO R O K OF ABOUT DOLLARS 1,000¹. HE FINALLY GAVE IN AND AGREED TO OUR PHRASING REGARDING REPAYMENT OF CURRENCY AS ADVANCED.

2. HIS EXPERTS HAVE FOUND TWO MISTAKEN DATES IN OUR DRAFT, ACCORDING TO U.N. FUNDING OFFICER INVOICES IN THEIR POSSESSION WHICH I HAVE SEEN.

~~XXXXXXXXXXXXXXXXXXXX~~

THE CURRENCY DRAWING INDICATED IN OUR DRAFT AS OF OCTOBER 1ST 1954 WAS ACTUALLY MADE ON OCTOBER 20TH 1954. ALSO DRAWINGS INDICATED AS DECEMBER 31st 1954 WAS MADE ON DECEMBER 10th 1954. THEY WOULD LIKE ME TO MAKE THESE TWO CHANGES IN DRAFT.

3. FINANCE MINISTER POINTED OUT THAT SINCE WE HAVE MADE ONLY ONE DRAWING SINCE JUNE 30TH 1955, AND THIS DRAWING OF 600,000 HWAN TOOK PLACE ON AUGUST 7th 1955 FROM U.N. FINDING OFFICER WHY NOT EXTEND GENERAL AGREEMENT TO INCLUDE THIS ITEM AND EXTEND ITS PROVISIONS TO ALLOW FOR PAYMENT UP TO AND INCLUDING AUGUST 7th 1954. NO OTHER TRANSACTION~~X~~ HAS TAKEN PLACE SINCE THEN, AND ANY FURTHER DRAWINGS WOULD TAKE PLACE AS A NORMAL BANKING TRANSACTION WITH BEFK PAYMASTER AND NO RECOURSE TO R O K GOVT. IF THIS WERE AGREED TO, MINISTER POINTS OUT PARA 3 OF OUR DRAFT WOULD BECOME UNNECESSARY AND SHOULD BE ELIMINATED. ALTHOUGH HE WOULD RELUCTANTLY BE PREPARED TO SIGN PRESENT AGREEMENT TWO CHANGES OF DATE MENTIONED IN (2) HE WOULD MUCH PREFER PROPOSED EXTENSION OF DATE OF AGREEMENT AND INSERT~~ION~~ OF AUGUST 7th DRAWING AS PARA (1) (P) AND WILL SIGN AT ONCE IF THESE CHANGES MADE. OUR EXPLANATION REGARDING RATES OF EXCHANGE IN PARA 1 SATISFACTORY. PLEASE FORWARD TO OTTAWA URGENTLY AND ASK FOR IMMEDIATE ANSWER SINCE MINISTER KIM WOULD LIKE^{EN} TO SIGN AGREEMENT~~ENT~~ ON FRIDAY THEN FORWARD TO ME WITH NECESSARY REPHRASINGS.

STEWART

T. O. R. 0933/1st FEBRUARY P.W.

M. Knight
4

TOP

Registry
No.

Top Secret.
Secret.
Confidential.
Restricted.
Open.

EMERGENCY
IMMEDIATE
PRIORITY
ROUTINE
with
without priority
DEFERRED

(Date).....

Despatched.....M.

Draft.

[Security classification].....
—if any

Telegram to :—

Tokyo

Addressed to Tokyo

telegram No..... (date) Feb 1.

No. 15

repeated for information to.....

(Date) Feb. 1

Repeat to :—

Please pass following to Canadian Embassy from
Newton. begins.

1. I have had two sessions with Finance Ministry
on draft note without serious obstacle. Although
Finance Minister objected to section 1(b) regard-
ing military conversion rate when currency advanced
rather than when currency expended maintaining
that computation showed this would mean modest
loss to ROK of about 1000 he finally gave in and
agreed to our phrasing regarding repayment of
currency as advanced.

2. Hise experts have found two mistaken dates in
our draft. According to UN funding officer
invoices in their possession which I have seen the
currency drawing indicated in our draft as of
October 1, 1954 was actually made on October 20,
1954. Also drawing indicated as December 31 1954/
was made on Dec. 1954.
They would like me to make these two changes in
draft.

3. Finance Minister pointed out that since we have
made only one drawing since June 30, 1955, and
this drawing of 600,000 hwan took place on August
7, 1955 from UN funding officer why not extend
general agreement to include this item and extend
its provisions to allow for payment up to and
including August 7, 1955. No other transaction

/h000061

En Clair.

Code.

Cypher.

Distribution :—

Copies to :—

NOTHING TO BE WRITTEN IN THIS MARGIN.

has taken place since the, and any further drawings would take place as a normal banking transaction with BCFK paymaster and no recourse to ROK Government. If this were agreed to, minister points out paragraph 3 of our draft would become unnecessary and should be eliminated. Although he would reluctantly be prepared to sign present agreement with two changes of date mentioned in (2) he would much prefer proposed extension of date of agreement and insertion of August 7 drawing as para 1(p) and will sign at once if these changes made. Our explanation regarding rates of exchange in para (1) satisfactory.

Please forward to Ottawa urgently and ask for immediate answer since Minister Kim would like to sign agreement on Friday, then forward to me with necessary rephrasings.

STEWART

NOTHING TO BE WRITTEN IN THIS MARGIN.

*Discard - 4 copies -
changes were made 4/3 -
YB*

Draft Canadian Note

I refer to the Agreement of September 28, 1954, between the Governments of the United Kingdom of Great Britain and Northern Ireland, and of the Commonwealth of Australia and of New Zealand and the Government of the Republic of Korea concerning the settlement by British Commonwealth Forces, Korea, of the advances in Korean currency made by the Government of the Republic of Korea from July 1950 under the Agreement between the Government of the Republic of Korea and of the United States of America of July 28, 1950, and the arrangements for the settlement of future advances made under that Agreement. Sub-paragraph (8) of the Agreement of September 28, 1954, provides that:

"As to the currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebates as in points (3) to (7) above."

I now have the honour to propose, on behalf of the Government of Canada, an agreement in the following terms based on the Agreement between the Governments of the United Kingdom and of the Republic of Korea, it being understood that wherever the expression "hwan" appears in this letter it includes the expression "won":

- (1) The Government of Canada will, within one month of the signature of this letter, pay, in Canadian dollars, to the Government of the Republic of Korea an amount equal to the liabilities of the Canadian Government in respect of hwan advanced by the Government of Korea up to June 30, 1955. The amount of these liabilities shall be equal to the amount, less a 5 percent rebate, of hwan advanced up to June 30, 1955, converted with respect to:
 - (a) advances made prior to May 31, 1954, at the military conversion rate prevailing at the time the local currency was advanced;
 - (b) The advance made on June 17, 1954, at the rate of 259 hwan to the Canadian dollar;
 - (c) The advance made on July 15, 1954, at the rate of 261 hwan to the Canadian dollar;
 - (d) The advance made on August 17, 1954, at the rate of 320 hwan to the Canadian dollar;
 - (e) The advance made on September 21, 1954, at the rate of 320 hwan to the Canadian dollar;
 - (f) The advance made on October 1, 1954, at the rate of 319 hwan to the Canadian dollar;

- 2 -

- (g) The advance made on November 19, 1954, at the rate of 320 hwan to the Canadian dollar;
- (h) The advance made on December 31, 1954, at the rate of 331 hwan to the Canadian dollar."

Further sub-paragraphs added

- (2) Subject to the provisions of sub-paragraph (7) below, settlement for advances that are or were made after June 30, 1955, less any sum returned under Article 2 of the Agreement between the Government of the Republic of Korea and the United States of America of July 28, 1950, will be effected monthly in Canadian dollars at the military exchange rate (expressed in United States dollars) in force on the date or dates when advances are or were made and further by applying the noon market rate (expressed in Canadian dollars) as reported by the Bank of Canada, for the United States dollar on the date of the advance. In the event of a devaluation of the hwan affecting hwan advanced, the Government of the Republic of Korea will allow six days grace from the date on which the Government of Canada is officially notified of the devaluation for the return of hwan balances under Article 2 of the aforesaid Agreement.
- (3) The Government of the Republic of Korea will allow the Canadian Government a rebate of 5 percent of advances made after June 30, 1955, in respect of expenditure by the Canadian component of the British Commonwealth Forces, Korea.
- Delete*
(4) If after December 31, 1954, but on or before December 31, 1955, the United States Government repay to the Government of the Republic of Korea a sum equivalent to that allowed to the United States Government as a rebate, the Government of Canada will repay to the Government of the Republic of Korea a sum equivalent to the rebates provided for under sub-paragraphs (1) and (3) above.
- (5) Subject to the provisions of sub-paragraph (6) below, if at any time after December 31, 1955, the United States waive for the future the rebate allowed to them but without making any repayment in respect of the rebate in the past, the Government of Canada will do likewise.
- (6) After December 31, 1955, no retroactive adjustment will be made between the Government of the Republic of Korea and the Government of Canada in respect of any rebate allowed.
- (7) The Government of the Republic of Korea agree to grant retroactively and for the future to the Government of Canada terms not less favourable than those which have been granted at any

.....3

- 3 -

time after May 31, 1954, to the Government of the United States in respect of the rate of exchange and methods of obtaining Korean currency.

If the foregoing proposal is acceptable to the Government of Korea, I have the honour to suggest that this note and Your Excellency's reply to that effect shall be regarded as constituting an agreement between the Government of Canada and the Government of the Republic of Korea, which shall become effective on the date of Your Excellency's reply and shall remain in effect until such time as it is mutually agreed that the need therefore has ceased.

2.

Draft Korean Reply

I have the honour to acknowledge receipt of Your Excellency's note of today's date which reads as follows:

(Quote in extenso)

In reply I have the honour to inform Your Excellency that the above mentioned terms are acceptable to the Government of the Republic of Korea, and that they, therefore, agree with your proposal that your note and this reply should be regarded as constituting an agreement between the two Governments which is effective on the date of this letter and shall remain in effect until such time as it is mutually agreed that the need therefor has ceased.

Tabulation showing Korean Currency drawings
by Canada from the United Nations
Funding Officer for the period November 1950 to June 1955

A. * Korean Currency drawings which Korean Government
has stated Canada has received from UN Funding Officer

<u>Date</u>		<u>Amount Won</u>	<u>Cumulative Total</u>
3 Nov 50		10,000,000	10,000,000
31 Jan 51	Cr	9,000,000	1,000,000
6 Feb 51		1,000,000	2,000,000
20 Apr 51		3,000,000	5,000,000
7 May 51		10,000,000	15,000,000
19 May 51		5,000,000	20,000,000
29 May 51		30,000,000	50,000,000
8 Jun 51		5,000,000	55,000,000
28 Jun 51		25,000,000	80,000,000
12 Jul 51		15,000,000	95,000,000
22 Jul 51		10,000,000	105,000,000
7 Aug 51		40,000,000	145,000,000
26 Aug 51		20,000,000	165,000,000
12 Sep 51		15,000,000	180,000,000
9 Oct 51		15,000,000	195,000,000
14 Oct 51		20,000,000	215,000,000
15 Nov 51		40,000,000	255,000,000
15 Nov 51		20,000,000	275,000,000
1 Dec 51		40,000,000	315,000,000
1 Dec 51		20,000,000	335,000,000
11 Dec 51		60,000,000	395,000,000
26 Dec 51		60,000,000	455,000,000
18 Jan 52		110,000,000	565,000,000
23 Jan 52		60,000,000	625,000,000
13 Feb 52		100,000,000	725,000,000
21 Mar 52		100,000,000	825,000,000
24 Apr 52		100,000,000	925,000,000
28 May 52		100,000,000	1,025,000,000
7 Jun 52		100,000,000	1,125,000,000
25 Jun 52		100,000,000	1,225,000,000
28 Jul 52		100,000,000	1,325,000,000
25 Aug 52		100,000,000	1,425,000,000
25 Sep 52		100,000,000	1,525,000,000
28 Sep 52		100,000,000	1,625,000,000
28 Oct 52		100,000,000	1,725,000,000
13 Nov 52		200,000,000	1,925,000,000
10 Jan 53		500,000,000	2,425,000,000
			<u>Total</u>

Amount Hwan

25 Mar 53	2,500,000	<u>2,500,000</u>
-----------	-----------	------------------

Total (Nov 50 - Apr 53) 2,425,000,000 Won
2,500,000 Hwan

NOTE * Paragraph 2 of the enclosure with Despatch No. 787 dated 31 Jul 53 from the Canadian Ambassador Tokyo, Japan, to the Secretary of State for External Affairs reads in part "The Government of the Republic of Korea has been notified, by the United Nations Funding Officer, that during the period from July 1950 to 30 April 1953 inclusive the sum of Won 2,425,000,000 and Hwan 2,500,000 has been so transferred to the Forces of Canada".

- 2 -

B. Korean Currency drawings which the Korean Government
has NOT confirmed Canada has drawn from the UN Funding Officer

<u>Date</u>	<u>Amount Hwan</u>	<u>Cumulative Total</u>
20 May 53	2,000,000	2,000,000
2 July 53	2,000,000	4,000,000
Aug 53	2,000,000	6,000,000
3 Sep 53	3,000,000	9,000,000
16 Oct 53	1,500,000	10,500,000
7 Dec 53	3,000,000	13,500,000
6 Jan 54	3,000,000	16,500,000
19 Feb 54	2,000,000	18,500,000
18 Mar 54	3,000,000	21,500,000
20 Apr 54	3,000,000	24,500,000
21 May 54	2,000,000	26,500,000
17 Jun 54	2,000,000	28,500,000
15 Jul 54	2,500,000	31,000,000
17 Aug 54	2,500,000	33,500,000
21 Sep 54	2,000,000	35,500,000
1 Oct 54	2,000,000	37,500,000
19 Nov 54	500,000	38,000,000
31 Dec 54	700,000	38,700,000
6 Jan 55	2,000,000	40,700,000
4 Feb 55	900,000	41,600,000
9 Mar 55	1,000,000	42,600,000
23 Mar 55	1,100,000	43,700,000
12 Apr 55	150,000	43,850,000
6 May 55	445,000	44,295,000
6 Jun 55	500,000	44,795,000
Total (May 53 - Jun 55)		Total 44,795,000 HWAN

D Army Budget
11 Mar 55

(as amended 25 Nov 55)

NOON MARKET RATE OF EXCHANGE ON THE UNITED STATES DOLLAR
IN TERMS OF CANADIAN CURRENCY

<u>Date of</u> <u>Hwan Advance</u>	<u>Amount of</u> <u>Hwan Advance</u>	<u>Value of U.S. Dollar</u> <u>in Canadian Currency</u> <u>at Noon as Published</u> <u>by Bank of Canada</u>
<u>1954</u>		
June 17	2,000,000	0.9809375
July 15	2,500,000	0.973125
Aug. 17	2,500,000	0.9690625
Sept. 21	2,000,000	0.9690625
Oct. 1	2,000,000	0.9703125
Nov. 19	500,000	0.9690625
Dec. 31	700,000	0.96625
<u>1955</u>		
Jan. 6	2,000,000	0.9653125
Feb. 4	900,000	0.9703125
Mar. 9	1,000,000	0.981875
Mar. 23	1,100,000	0.9825
Apr. 12	150,000	0.9850
May 6	445,000	0.988125
June 6	500,000	0.984375

CIPHER
MESSAGE

ARMY MESSAGE

(INCOMING)

Document disclosed under the Access to Information Act
Document divulgué en vertu de la loi sur l'accès à l'information

CLASSIFIED

PLACE FROM

OTTAWA

DATE & TIME

JAN 27/56

210-7-13A

*Mr. Newton
Mr. Bertrando
for disposition*
I M M E D I A T E

FROM

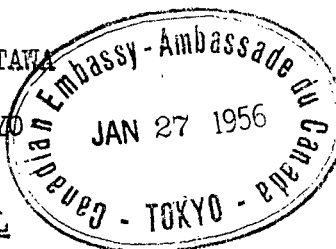
EXTERNAL OTTAWA

TO

EMBASSY TOKYO

DL-24

CONFIDENTIAL



JAN 26/56

REFERENCE

YOUR TELEGRAM 16 OF JANUARY 26.

SUBJECT

KOREAN CURRENCY.

WE AGREE TO DELETION OF PARAGRAPH 4 OF DRAFT NOTE.

CONFIDENTIAL
FOR CANADIAN EYES ONLY

File No. 210-7-13A

January 27, 1956.

Memorandum for Mr. Newton

As requested on Wednesday morning, I have prepared comments on the draft Note you will present next week to the Korean Government in an effort to settle the advances of Korean currency to the Canadian Forces.

1. Background to the Problem:

Provision of Korean currency for the use of Canadian forces serving under the United Nations Command in Korea was made under an agreement dated July 28, 1950, between the Governments of the United States and of the Republic of Korea. The Agreement provided:

- (a) that Korean currency would be advanced to a United Nations funding officer who would in turn make it available to the various forces as required.
- (b) that each government would settle directly with the Korean Government for currency advanced by the funding officer; and
- (c) that settlement for the currency advanced under the Agreement was to be deferred until such time as was mutually satisfactory to the governments concerned.

In February 1953 the United States entered into an agreement with the Korean Government which provided for the settlement of advances to United States troops and for a method of paying for future advances on a current basis. The United States received a 10% rebate on past and future hwan drawings. At that time the Canadian Government considered the advisability of entering into a similar agreement with Korea. It was considered, however, that there might be other claims on both sides which would appear only after the cessation of hostilities, and that it would therefore be advisable to postpone negotiations until an overall settlement could be achieved.

-2-

Canadian troops continued, therefore, to make use of the provisions of the July 1950 Agreement, notwithstanding that the United States forces were, after February 1953, paying on a current basis for drawings of Korean currency. On July 15, 1953, the Minister of the Republic of Korea handed to the Canadian Ambassador in Tokyo a request to the Canadian Government to negotiate an agreement similar to the one which the United States had signed in February of that year. A similar note was sent to the United Kingdom.

After some hesitation the United Kingdom agreed to negotiate with the Korean Government. It invited the Canadian Government to associate itself with the other Commonwealth governments having forces in Korea in negotiating the agreement. We accepted the invitation. On September 28, 1954, an agreement, in the form of an exchange of notes, was signed. The United Kingdom negotiators could not secure a 10% rebate. They settled, subject to certain conditions, for a 5% rebate on past and future drawings. Paragraph 8 of the Agreement provided that:

"As to currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebate as in points (3) to (7) above."

Paragraph 9 of the Agreement provided that:

"The Government of the Republic of Korea agree to grant retrospectively and for the future to the Governments of the United Kingdom, Australia, New Zealand and Canada terms not less favourable than those which may be granted after May 31, 1954, to the Government of the United States in respect of the rate of exchange and the methods of obtaining Korean currency."

It was the intention of the Department that details of the settlement should be worked out bilaterally in Washington, and in May 1955 our Embassy there was requested to take up the question with the Korean Embassy, as it was considered that the time had come to conclude a settlement. However, our Mission in Washington expressed serious doubts on the advisability of holding the talks in that city since, on the basis of previous

-3-

experience, they were of the opinion that the Korean Embassy were incapable of taking any action on its own and had to clear everything with Seoul. As a result, we were approached by the Department for comments on the site of the negotiations and you are familiar with the ensuing exchange of correspondence.

2. Draft Note to be submitted to the Korean Government:

Our draft note is based on the Agreement of September 28, 1954, between the United Kingdom, Australia, New Zealand, and Korea.

(1) Preamble:

"I refer to the Agreement of September 28, 1954, between the Governments of the United Kingdom of Great Britain and Northern Ireland, and of the Commonwealth of Australia and of New Zealand and the Government of the Republic of Korea concerning the settlement by British Commonwealth Forces, Korea, of the advances in Korean currency made by the Government of the Republic of Korea from July 1950 under the Agreement between the Government of the Republic of Korea and of the United States of America of July 28, 1950, and the arrangements for the settlement of future advances made under that Agreement. Sub-paragraph (8) of the Agreement of September 28, 1954, provides that:

"As to the currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebates as in points (3) to (7) above."

"I now have the honour to propose, on behalf of the Government of Canada, an agreement in the following terms based on the Agreement between the Governments of the United Kingdom and of the Republic of Korea, it being understood that wherever the expression "hwan" appears in this letter it includes the expression "won".

Comments:

- (a) Up to and including February 16, 1953, "Won" was the unit of currency.

000072

. . . 4

-4-

- (b) From February 17, 1953, onwards, the unit of currency was changed to Hwan (1 Hwan - 100 won).
- (2) Paragraph I, up to "including the amount of these liabilities...."

Paragraph reads:

"The Government of Canada will, within one month of the signature of this letter, pay, in Canadian dollars, to the Government of the Republic of Korea an amount equal to the liabilities of the Canadian Government in respect of hwan advanced by the Government of Korea up to June 30, 1955."

Paragraph I, United Kingdom Agreement -

"The United Kingdom Government shall, immediately upon signature of this letter, make a lump-sum payment of £1.8 million sterling in part payment of the liabilities of the Australian and New Zealand Governments and of the liabilities of the United Kingdom Government in respect of hwan advanced by the Government of the Republic of Korea up to May 31, 1954, and within one calendar month of the date of this letter make a further lump-sum payment in sterling in respect of the balance of the liabilities for advances to the Australian and New Zealand Governments as well as in respect of the balance of the United Kingdom Government's own liability up to May 31, 1954. These liabilities shall be calculated -

- (a) for the period up to February 23, 1953, at the military conversion rate prevailing at the time the local currency was actually expended; and
- (b) thereafter at the military conversion rate prevailing at the time the local currency was advanced."

Comments:

- (a) You will note that the United Kingdom Agreement provides that the lump sum payment is in respect to liabilities incurred up to May 31, 1954. It provides also for a lump sum payment of £1.8 million sterling in part payment of the total liabilities of the Commonwealth

-5-

Governments concerned and for a further lump-sum payment to be made within one month of the date of the signature of the Agreement. This provision was inserted because the exact amount of the total liability was unknown at the time the agreement was signed. Furthermore the immediate payment of £1.8 million sterling was offered as an inducement to the Koreans to make some concessions with respect to the rate of exchange and the rebate. Our draft provides that the Canadian lump-sum settlement will cover the period up to June 30, 1955, and will be paid within one month of the signature of the agreement. This is done on the assumption that the liabilities incurred by the Canadian forces in Korea between May 31, 1954, and June 30, 1955, are known. We might have to follow the procedure adopted by the British if the exact amount of our liabilities cannot be estimated immediately or if some unforeseen difficulties arise in the course of negotiations. I suspect, and as a matter of fact it is probable that if difficulties are encountered with regard to the clarification of the exact amount of our liabilities it will be for that period of May 31, 1954, to June 30, 1955; this, on account of the fact that it is doubtful whether the Koreans will accept the rates of exchange we suggest for the advances made during that period and which are the monthly average of those secured by the U. S. Forces at auctions. The Koreans will probably insist on using the rates (inferior) granted to the United Kingdom military authorities for the same period. It would not be dangerous to agree to the immediate payment of a lump-sum pending clarification of the total amount of our liabilities. The Department has informed us that the dollar figure of \$673,482.47 quoted by the Korean Embassy in Washington in a recent approach is very close to the Canadian Government's own calculation of the amount outstanding on December 31, 1954, if the rebate of 5% is disregarded (it is not). This means that without any danger of badly committing the Canadian Government you could agree that a lump-sum payment of, let's say, \$600,000 could be made immediately pending clarification of the exact amount of the liabilities, though a figure of \$500,000 or even \$400,000, would be altogether preferable.

-6-

You should, however, clear this with the Department through us, before making any firm commitment, though, if the figure is of \$600,000, or less, no objection will be forthcoming. Our offer of such part payment would probably induce the Koreans to be more reasonable in their discussions of the various rates of exchange.

- (b) I wish to warn you that the Koreans may try to renegotiate paragraph 1 of the United Kingdom Agreement as paragraph 8 of that Agreement does not provide for similar terms being extended to Canada with respect to advances made prior to May 31, 1954. This again might entail the need for a split payment of a lump-sum pending further clarification of the total amount of our liabilities.

(3) End of Paragraph I

"The amount of these liabilities shall be equal to the amount, less a 5 percent rebate, of hwan advanced up to June 30, 1955, converted with respect to:"

Comments:

It is mandatory that the Koreans agree to this 5% rebate and you should insist upon obtaining it as the Canadian Government would probably never consent to waive it. The Koreans are obliged to grant it on account of paragraph 3 of the United Kingdom agreement which provides, among other things, that "unless on or before December 13, 1954, the United States Government repay to the Government of Korea a sum equivalent to that allowed to the United States Government as a 10% rebate in respect of official expenditures the terms of settlement of hwan advances to the United States Forces in Korea the Government of the Republic of Korea shall -

"Within one month of December 31, 1954, repay to the United Kingdom Government an amount equivalent to 5 per cent of all past drawings made up to and including December 31, 1954, in respect of official expenditure by the United Kingdom, Australian and New Zealand components of the British Commonwealth Forces, Korea."

000075

. . . 7

-7-

The United States Government has not repaid to the Government of the Republic of Korea the amount referred to in the above quoted paragraph of the United Kingdom agreement and the Republic of Korea has as a consequence repaid to the United Kingdom a sum equivalent to 5% of all hwan drawings up to and including December 31, 1954. We are, therefore, entitled to a 5% rebate on all drawings up to and including December 31, 1954 on the basis of paragraph 8 of the United Kingdom Agreement. Similarly paragraph 3 (ii) of that agreement states that the Republic of Korea will allow to the United Kingdom a rebate of 5% of drawings made after December 31, 1954, provided that the United States has not waived its right to its 10% rebate on these drawings. I obtained confirmation in Tokyo from British and American sources, through Colonel Elwood, that the United States did not waive their right to this rebate and that the United Kingdom made as a consequence an application for a 5% rebate which was granted by the Korean Government.

(4) Sub-paragraphs to Paragraph I:

- " (a) advances made prior to May 31, 1954, at the military conversion rate prevailing at the time the local currency was advanced;
- (b) The advance made on June 17, 1954, at the rate of 259 hwan to the Canadian dollar;
- (c) The advance made on July 15, 1954, at the rate of 261 hwan to the Canadian dollar;
- (d) The advance made on August 17, 1954, at the rate of 320 hwan to the Canadian dollar;
- (e) The advance made on September 21, 1954, at the rate of 320 hwan to the Canadian dollar;
- (f) The advance made on October 1, 1954, at the rate of 319 hwan to the Canadian dollar;

. . . 8

000076

-8-

- (g) The advance made on November 19, 1954, at the rate of 320 hwan to the Canadian dollar;
- (h) The advance made on December 31, 1954, at the rate of 331 hwan to the Canadian dollar;
- (i) The advance made on January 6, 1955, at the rate of 445 hwan to the Canadian dollar;
- (j) The advance made on February 4, 1955, at the rate of 515 hwan to the Canadian dollar;
- (k) The advance made on March 9, 1955, at the rate of 509 hwan to the Canadian dollar;
- (l) The advance made on March 23, 1955, at the rate of 509 hwan to the Canadian dollar;
- (m) The advance made on April 12, 1955, at the rate of 508 hwan to the Canadian dollar;
- (n) The advance made on May 6, 1955, at the rate of 445 hwan to the Canadian dollar;
- (o) The advance made on June 6, 1955, at the rate of 518 hwan to the Canadian dollar. "

Comments:

- (a) For the reason again that the Koreans may wish to renegotiate paragraph 1 of the United Kingdom Agreement all these sub-paragraphs of Paragraph 1 could give rise to difficulties as they might not be satisfied with the various rates of exchange which we propose should be used. This again might force a split payment of the lump-sum.
- (b) The rates quoted in these sub-paragraphs have been adjusted to take into account the rate of exchange of United States dollars in terms of Canadian dollars, by applying the noon market rate (expressed in Canadian dollars) as reported by the Bank of Canada for the United States dollar on the date of the advance. Under paragraph 7 of the United Kingdom agreement the rates of exchange can be expressed in Canadian dollars.

-9-

(c) These various sub-paragraphs can be classified under three categories for comments purposes:

(i) Advances made prior to May 31, 1954 (sub-paragraph 1)

a) The Koreans might wish to contest our proposed conversion rate for that period and which is the military rate prevailing at the time the local currency was advanced. The United Kingdom agreement provides in paragraph 1 that the liabilities shall be calculated for the period up to February 23, 1953, at the military conversion rate prevailing at the time the local currency was actually expended and thereafter at the military conversion rate prevailing at the time the local currency was advanced. Calculation of our liabilities for the period up to May 31, 1954, at the military conversion rate prevailing at the time the local currency was actually expended would involve a considerable amount of work. On the other hand the two rates may be treated as practically identical since the Canadian paymaster kept the amount of local currency on hand to a minimum. If the Koreans insist on that score you should point out these two factors and mention that the calculation of the conversion rate prevailing at the time the local currency was expended might entail some delay in the settlement of our agreement on account of the work it would necessitate, and that, at the same time, the financial advantages gained by the Koreans would be practically nil.

b) No information has been provided by the Department on the military conversion rate prevailing at the time the advances were made during that period. This information is not required now and the necessary calculations could easily be made by the Department and double-checked by the Koreans once the latter have agreed to the principle that this rate should be used.

. . . 10

000078

-10-

(ii) Advances made between June 1, 1954 and January 1, 1955 (Sub-paragraphs (b) to (f))

The rates quoted in these sub-paragraphs are based on the understanding of the Department that the military conversion rate applied to advances made to the United States during the period from June to August 1954 was 254 hwan to the dollar and during the period from September to November 1954, 310 hwan to the dollar; and that in December 1954 the rate of exchange was set by auction. The auction rate chosen for our purposes (520 hwan to the dollar) is the rate set at the last auction because the advance made by the Republic of Korea in December 1954 was made on December 31, 1954. There were three successful auctions in that month; the first at 420 hwan to the dollar, the second at 522 and the third at 520.

(iii) Advances made between January 1, 1955 and June 30, 1955

As you already know, under the terms of the United Kingdom Agreement, the rate of exchange we should obtain for advances made during that period should be the military conversion rate, or if the United States has obtained a more favourable rate than the military conversion rate, the more favourable rate as provided for under paragraph 9 of the United Kingdom Agreement. During that period the United States obtained hwan by auction and called for tenders from Korean businessmen. From the bids obtained at some such 20 auctions they established an average monthly rate which, in terms of U. S. dollars, were as follows:

January	430
February	500
March	500
April	500
May	440
June	440

. . . 11

000079

-11-

As to the United Kingdom, they obtained the following rates for their advances of that period:

(Date not known)	January	309.3
	1 February	426.73
	19 March	485.0
	13 April	430.2
	19 May	416.5
	6 June	509.5

These rates were arrived at by taking the average rate accepted by the United Nations Command (or rather the U. S. authorities) at their last auction in the immediately preceding month.

For the purposes of submitting the draft note to the Koreans, the Department agreed that we should use the rates secured by the Americans, as being more favourable, with the exception of the June 6, 1955, advance, for which BCFK obtained a better rate. I have accordingly calculated the conversion rates we ask for in these sub-paragraphs (1) to (c) on that basis, taking into account the conversion rate of the United States dollar to the Canadian dollar.

I doubt whether the Korean Government will be enthusiastic about these conversion rates. Actually it is almost certain that they will insist upon using the basis of calculation adopted for the advances made to BCFK and which the latter agreed to: to take the average rate accepted by UNC at their last auction in the immediately preceding month. I have no reason to believe that the Department would have objection to this basis of calculation. However, you should not give in too quickly to the Koreans on this point, as it is almost the only bargaining point you have in this whole matter.

. . . 12

000080

-12-

(5) Paragraph 2

"Subject to the provisions of sub-paragraph (6) below, settlement for advances that are or were made after June 30, 1955, less any sum returned under Article 2 of the Agreement between the Government of the Republic of Korea and the United States of America of July 28, 1950, will be effected monthly in Canadian dollars at the military exchange rate (expressed in United States dollars) in force on the date or dates when advances are or were made and further by applying the noon market rate (expressed in Canadian dollars) as reported by the Bank of Canada, for the United States dollar on the date of the advance. In the event of a devaluation of the hwan affecting hwan advanced, the Government of the Republic of Korea will allow six days grace from the date on which the Government of Canada is officially notified of the devaluation for the return of hwan balances under Article 2 of the aforesaid Agreement."

Comments:

It is not believed that the United States returned their outstanding balances on the dates on which the hwan was devalued. If, however, they did, it would seem that we could claim a similar adjustment under paragraph 9 of the United Kingdom - Korea Agreement. The Department feels, however, that the amount owed by Canada to the Republic of Korea has been outstanding for some time and that the Koreans might wish to charge interest on it and that, consequently, it would be preferable not to raise this point of return of outstanding balances unless the Koreans raise the question of interest. I do not have any information as to whether the United States returned their outstanding balances on the dates on which the hwan was devalued.

(6) Paragraph 3

"The Government of the Republic of Korea will allow the Canadian Government a rebate of 5 percent of advances made after June 30, 1955, in respect of expenditure by the Canadian component of the British Commonwealth Forces, Korea."

-13-

Comments:

Paragraph 3 of the draft agreement is based on paragraph 3 (ii) of the United Kingdom Agreement. There are no specific comments to be made on that article except that paragraph 3 (i) of the United Kingdom Agreement is covered by paragraph 1 of our draft agreement. The Koreans are obliged to grant that rebate under Article 9 of the United Kingdom Agreement since the United States Government has not agreed to waive the rebate with respect to advances up to December 31, 1954.

(7) Paragraph 4

"Subject to the provisions of sub-paragraph (5) below, if at any time after December 31, 1955, the United States waive for the future the rebate allowed to them but without making any repayment in respect of the rebate in the past, the Government of Canada will do likewise."

Comments:

No comments and no difficulties are foreseen as this paragraph is in the interests of the Korean authorities.

(8) Paragraphs 5 and 6

"After December 31, 1955, no retroactive adjustment will be made between the Government of the Republic of Korea and the Government of Canada in respect of any rebate allowed.

"The Government of the Republic of Korea agree to grant retroactively and for the future to the Government of Canada terms not less favourable than those which have been granted at any time after May 31, 1954, to the Government of the United States in respect of the rate of exchange and methods of obtaining Korean currency."

Comments:

No comments except that these paragraphs are similar to paragraphs 7 and 9 respectively of the United Kingdom Agreement.

-14-

3. Procedure

(1) The Department feels that the agreement should be concluded in the form of an Exchange of Notes as was done for the United Kingdom Agreement. The Department made mention of a Full Power to sign for yourself, which has not yet been received. Actually I do not think that one is necessary and you should not raise this question with the Koreans unless they broach it and absolutely require one. This I doubt, as apparently none was required from the British Minister in Seoul when he signed the U. K. Agreement.

(2) You do not need a seal either. If the Koreans insist upon having it you could point out that it is against the practice of the Department that the seal should be affixed on an Exchange of Notes.

(3) It might be better to use our own stationery and therefore you will need to take with you some long, crested vellum paper for the final Note. Your secretary has been told to give you a sufficient amount. The Note in its final form could well be typed at the British Legation in Seoul.

(4) I do not believe, as was the case for the United Kingdom agreement, that the Korean authorities will require an official text in the Korean language. There will, therefore, be only one original of the Note and reply, in the English language.

(5) The draft reply will probably be signed by the Minister of Finance of the Korean Government.

(6) I think it preferable that you take the file on this subject with you (I am keeping here duplicates of the papers I may need for reference purposes). I warn you that it contains documents expressing certain views expressed in the past by the Canadian Government, which were entirely different from those of the British Government on this question, and that also there are in it certain unkind references to comments made at one stage by officers of BCFK on a question which it was felt by this Embassy was a matter for diplomats to handle, not the military.

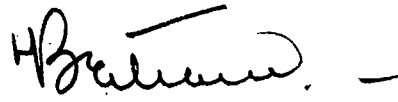
(7) The channel of communication with the Department should be through the Embassy via the communications facilities of the British Legation, in Seoul.

-15-

(8) You might, at certain stages, require some technical information concerning the previous advances and other matters. The BCFK Forces in Korea - their paymaster office - would have this easily available. Certain information might also be required concerning what the Americans have done. If not obtainable through BCFK you may wish to obtain this directly from the people at the American Legation in Seoul with whom you are well acquainted. They might be reluctant to give certain information on account of their strict security regulations, I gather from Colonel Elwood.

4. Attachments

- (1) Three copies of the draft Canadian Note to be submitted;
- (2) Three copies of the suggested Korean reply;
- (3) Three copies of the tabulation showing Korean currency drawings by Canada from the United Nations funding officer for the period November 1950 to June 1955. This tabulation is in two parts, one for the period November 1950 to March 25, 1953, which is that prepared by the Korean Government, the other part marked "B" those drawings after March 1953 which the Korean Government has not confirmed Canada has drawn from the U. N. funding officer.
- (4) The known market rate of exchange on the United States dollar in terms of Canadian currency.
- (5) A copy of the United Kingdom Agreement (The United States Agreement of July 28, 1950, can be found in the file, together with subsequent various arrangements.)


G. Bertrand

000084

DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

File Copy

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE	X			SECRET	
PRIORITY				CONFD	X
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		GR			
		FROM DOMCAN TOKYO JAPAN			
		TO EXTERNAL OTTAWA CANADA			

INFO

ORIGINATOR'S NO.

16

Your telegram DL-18 of January 24 1956

Settlement of advances of Korean Currency.

We intend deleting paragraph 4 of proposed draft as information obtained discloses that United States Government did not repay to Korea a sum equivalent to that allowed to United States as a rebate. Do you agree? Please cable reply for latest Saturday morning.

Davis

[Signature]

ORIGINATOR G. Bertrand	TELEPHONE 26/1/56	DATE - TIME GROUP Z	FILE NO. 210-7-13A
----------------------------------	-----------------------------	-------------------------------	------------------------------

C.N.S. 1320JC
C.A.F.B. 1617 HQ 4554-B-1617
250M-1-52 (5592)
B.C.A.F. 542

FILE COPY

000085

January 25, 1956

Note for file (Mr. Newton to see before filing)

Settlement of Advances of Korean
Currency to Canadian Troops

I inquired while at the British Embassy yesterday from Furley Smith, whether a full power to sign had been necessary when their ~~man~~^{representative} in Seoul signed an agreement with the Korean Minister of Finance concerning the settlement of Korean currency to British, Australian and New Zealand troops. Furley Smith said that to his knowledge none had been necessary. Consequently, if that which the Department said was being prepared is not received before Mr. Newton's departure from Korea to hold talks on this subject it should not be an impediment to a conclusion of our own agreement. This provided the Korean authorities are not insistent upon having one.


G. Bertrand.

PLACE FROM

DATE & TIME

OTTAWA

JAN 24/56

Mr Newton

I M M E D I A T E

210-7-13A

FROM

EXTERNAL OTTAWA

TO

EMBASSY TOKYO

DL-18

CONFIDENTIAL

JANUARY 23

REFERENCE

YOUR TELEGRAM DL-12 OF JANUARY 17.

SUBJECT

SETTLEMENT OF ADVANCES OF KOREAN CURRENCY.

WE NOTE

(A) THAT THE RATES OF EXCHANGE OBTAINED BY BCFK FOR THE PERIOD JANUARY 1 TO JUNE 30, 1955 ARE NOT REPEAT NOT ON THE WHOLE AS FAVOURABLE AS THOSE OBTAINED BY THE U.S. AUTHORITIES DURING THE SAME PERIOD ALTHOUGH PARAGRAPH 9 OF THE AGREEMENT BETWEEN THE U.K. AND KOREA PROVIDES FOR EQUAL TREATMENT AND

(B) THAT THE RATES OF EXCHANGE GIVEN FOR THE U.S. ARE MONTHLY AVERAGES AND, THEREFORE, ARE NOT REPEAT NOT THE RATES PREVAILING ON THE DATES ON WHICH ADVANCES WERE MADE TO CANADIAN FORCES.

2. THE KOREANS MAY RAISE SOME DIFFICULTIES IN CONNECTION WITH THESE TWO POINTS NEVERTHELESS, WE AGREE THAT FOR THE PURPOSES OF PRESENTING THE DRAFT AGREEMENT TO THE KOREAN AUTHORITIES THE RATES GIVEN IN PARAGRAPH 3 OF YOUR TELEGRAM SHOULD BE USED.

3. AN EXTRA COPY OF OUR DESPATCH NO. DL-800 OF DECEMBER 22 WILL FOLLOW IN NEXT AIR BAG.

TRANSMITTAL SLIP

TO: **the Canadian Embassy**

Security... **CONFIDENTIAL**

TOKYO

Date... **January 24, 1956**

FROM: **Under-Secretary of State**
for External Affairs

Air or Surface.....

No. of enclosures... **1**

The documents described below are for your information.

Despatching Authority... **D. L. (1)/J.M. Teakles/ew**

210-7-13A

Copies

Description

Also referred to:

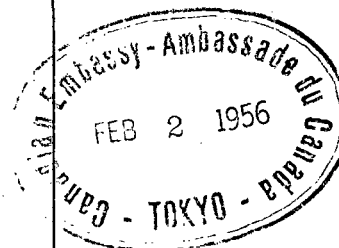
1

**Despatch No. DL-800 of December 22,
1955 to Tokyo, Japan.**

**Re: Settlement of Advances of
Korean Currency to Canadian Forces.**

NO.	INIT.
AMBASSADOR	
NEWTON	
HALSTEAD	
RETTIE	
ROBERTSON	
BERTRAND	

for disposition



000088

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should NOT be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

DESPATCH

CONFIDENTIAL

TO: HEAD OF POST

TOKYO, Japan

FROM: THE SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference: Your Despatch No. 980 of Sept. 7/55.

Subject: Settlement of Advances of Korean
Currency to Canadian Forces

Security:

No:

Date:

Enclosures:

Air or Surface Mail:

Post File No:

Ottawa File No.

References

Since receiving your despatch under reference we have been considering, with the Departments of Finance and National Defence, how best to proceed with the negotiations for a settlement of these advances. The outstanding questions of substance have to a large extent been clarified in the interval, and there does not appear now to be any reason for further delay.

2. One of these questions, you will recall, was whether any part of the Canadian liability could be offset against the liability incurred by the ROK Government as a result of the purchase of surplus equipment from BCFK. It now seems clear that this would not be possible, since BCFK is unlikely to have much if any hwan surplus from the disposals organization, and since credits to Canada from hwan sales have in any case been made in sterling.

3. Another question was related to the 5% rebate agreed to by the Koreans, on certain conditions, in their settlement with the United Kingdom, Australia and New Zealand. You will recall that since the United States authorities did not repay their 10% rebate by December 31, 1954, the repayment of 5% of all official expenditure by the United Kingdom, Australian and New Zealand components of BCFK should have been made by the Koreans within one month of that date. In fact, although the United Kingdom Legation in Seoul steadily pressed them for it, the Koreans did not make the repayment until the beginning of November. The fact that they did finally fulfil this obligation will of course be useful in pressing our own case.

4. The draft agreement which was prepared some months ago (and which was attached to our letter No. D-660 of May 4, 1955 to Washington) has been revised. A copy of the revised draft is appended to this letter. The principal change is that we now suggest that the lump-sum settlement should be in respect of advances made up to and including June 30, 1955. The rates of exchange have also been changed, as those shown in the earlier draft were not in accordance with paragraph 2 of the United Kingdom's agreement with Korea of September 28, 1954.

5. We have given careful consideration to your suggestion that one or more persons be sent from Ottawa to Seoul for the purpose of conducting these negotiations.

Internal
Circulation

Distribution
to Posts

Our reluctance to let Mr. Newton be tied up for any considerable time in Korea is fully appreciated, as this would interfere with his normal duties in Tokyo and his reporting on Korean affairs. We agree also that it would be undesirable to ask the British Legation in Seoul to undertake responsibility for the negotiations, although we think that they might reasonably be asked, if necessary, to act as an intermediary for correspondence. On the other hand, since our draft agreement is based in large part on the United Kingdom Agreement, we would expect that it might be possible to conclude it without undue difficulty or delay.

6. While I agree with you, therefore, that sending a qualified negotiator from Ottawa might be the best course, I am not inclined to think that it is essential, at least in the initial stages. I would suggest that Mr. Newton might present our draft agreement to the appropriate officials in Seoul and give them any necessary explanations. If the matter seemed likely to drag on for more than say, two weeks, or if unexpected difficulties arose, he might then return to Tokyo and we could consider whether the matter should be pursued by correspondence or alternatively whether someone with specialised knowledge of the subject should be sent from Ottawa.

7. The background to the problem was outlined in paragraphs 4 to 7 of our letter No. D.660 of May 4, 1955 to the Embassy in Washington, to which you might wish to refer. The latter part of that letter (paragraphs 8 to 17) dealt with details of the draft agreement and may now be disregarded, as the comments on the draft agreement have been revised and incorporated in the following paragraphs of this letter.

The Draft Agreement - Comments

8. The draft differs from the United Kingdom Agreement which provided for a lump-sum payment of £1.8 million in part (about 75%) payment of the total liabilities of the Commonwealth governments concerned and for a further lump-sum payment to be made within one month of the date of signature of the Agreement. This provision was inserted because the exact amount of the total liability was unknown at the time the Agreement was signed. Furthermore, the immediate payment of £1.8 million was offered as an inducement to the Koreans to make some concessions with respect to the rate of exchange and the rebate.

9. We might have to follow this procedure if the exact amount of our liability cannot be estimated immediately or if some unforeseen difficulties arise in the course of the negotiations. Such difficulties could possibly arise

- (a) if the Koreans wish to renegotiate paragraph 1 of the United Kingdom agreement. Paragraph 8 of the United Kingdom agreement does not provide for similar terms being extended to Canada with respect to advances made prior to May 31, 1954;
- (b) if the Koreans are not satisfied with the rate of exchange which we propose should be used with respect to advances made prior to May 31, 1954. The United Kingdom Agreement provides that the liabilities shall be calculated for the period up to February 23, 1953, at the military conversion rate prevailing at the time the local currency was actually expended, and thereafter at the military conversion rate prevailing at the time the local currency was advanced. Calculation of our liabilities for the period up to May 31, 1954 at the military conversion rate prevailing at the time the local currency was actually expended would involve a considerable amount of work. On the other hand, the two rates may be treated as practically identical since the Canadian paymaster in Korea kept the amount of local currency on hand to a minimum;

(c) if the Koreans are not satisfied with the rates of exchange proposed with respect to advances made between June 1, 1954 and June 30, 1955.

- (i) We understand that the military conversion rate applied to advances made to the United States during the period from June to August 1954 was 254 hwan to the dollar and during the period from September to November 1954, 310 hwan to the dollar; and that in December 1954 the rate of exchange was set by auction. The auction rate chosen for our purposes (520 hwan to the dollar) is the rate set at the last auction because the advance made by the Republic of Korea in December 1954 was made on December 31, 1954. There were three successful auctions in that month; the first at 420 hwan to the dollar, the second at 522 and the third at 520;
- (ii) These rates are expressed in terms of United States dollars. Under paragraph 2 of the United Kingdom Agreement, they can be expressed in Canadian dollars. They were therefore adjusted to take into account the rate of exchange between the Canadian and United States dollars by applying the noon market rate (expressed in Canadian dollars) as reported by the Bank of Canada for the United States dollar on the date of the advance.
- (iii) The rate to be applied to advances made between January 1, 1955 and June 30, 1955, are not given in the draft. They should be set in the manner described in the next paragraph.

10. It will be necessary to add, as required, one or more sub-paragraphs to paragraph (1) of the draft agreement specifying the rate of exchange to be applied to advances made between January 1, 1955 and June 30, 1955. This should be the military conversion rate as provided for in paragraph 2 of the United Kingdom Agreement or, if the United States has obtained a more favourable rate than the military conversion rate, the more favourable rate as provided for under paragraph 9 of the United Kingdom Agreement. This rate should in turn be adjusted to take into account the rate of exchange of United States dollars in terms of Canadian dollars. In this connection we are attaching a table showing the noon market rate of exchange for the United States dollar on the dates on which the advances of Korean currency were made. Before drafting these additional paragraphs you will have to obtain from the United States or United Kingdom authorities the rate or rates of exchange which they used with respect to advances made between January 1, 1955 and June 30, 1955.

11. There is some doubt whether the United States returned their outstanding balances on the dates on which the hwan was devalued. If they did, it would seem that we could claim a similar adjustment under paragraph (9) of the United Kingdom-Korean Agreement. However, in view of the fact that the amount owed by Canada to the Republic of Korea has been outstanding for some time and that the Koreans might wish to charge interest on it, it is considered that it would be preferable not to raise this point unless the Koreans raise the question of interest.

12. The United Kingdom Agreement provided that the lump-sum settlement would be in respect to liabilities incurred up to May 31, 1954. Our draft provides that the Canadian lump-sum settlement will cover the period up to June 30, 1955, and will be paid within

one month of the signature of the Agreement, on the assumption that the liabilities incurred by the Canadian forces in Korea between May 31, 1954 and June 30, 1955, are known. If they cannot be calculated, the payment may have to be split in two. A settlement covering this longer period also assumes, as implied in paragraphs 9 and 10, that the United States and the United Kingdom have agreed with the Koreans on the conversion rates to be applied to liabilities incurred after May 31, 1954, and up to June 30, 1955.

13. Paragraph (3) of the United Kingdom Agreement provides, among other things, that "unless on or before December 31, 1954, the United States Government repay to the Government of Korea a sum equivalent to that allowed to the United States Government as a 10% rebate in respect of official expenditure under the terms of the settlement of hwan advances to the United States Forces in Korea, the Government of the Republic of Korea shall:

- (1) within one month of December 31, 1954, repay to the United Kingdom Government an amount equivalent to 5% of all past drawings made up to and including December 31, 1954, in respect of official expenditure by the United Kingdom, Australia and New Zealand components of the British Commonwealth Forces, Korea."

14. The United States Government has not repaid to the Government of the Republic of Korea the amount referred to in paragraph 3(1) of the United Kingdom Agreement and the Republic of Korea has as a consequence repaid to the United Kingdom a sum equivalent to 5% of all hwan drawings up to and including December 31, 1954. We are therefore entitled to a 5% rebate on all drawings up to and including December 31, 1955. This is provided for in paragraph (1) of the draft agreement.

15. Paragraph 3(ii) of the United Kingdom's Agreement provides in effect that the Republic of Korea will allow to the United Kingdom a rebate of 5% of drawings made after December 31, 1954, provided that the United States has not waived its right to its rebate on these drawings. It is not definitely known whether the United States has waived for advances made after December 31, 1954, the 10% rebate to which they are entitled under the terms of their Agreement with the Koreans. If they did waive it, the words "less a 5 per cent rebate" would have to be deleted from the first part of paragraph (1) and inserted at the end of subparagraphs (1)(a) to (1)(h) so that the rebate would apply only to advances made prior to January 1, 1955. You should obtain confirmation from the United States authorities before submitting the draft to the Koreans.

16. Paragraph (3) of the draft agreement is based on paragraph 3(ii) of the United Kingdom Agreement. Paragraph 3(i) of the United Kingdom Agreement is covered, as noted above, by paragraph (1) of our draft agreement. Paragraph (3), as drafted, assumes, as in the case of paragraph (1), that the United States Government has not agreed to waive the rebate with respect to advances up to December 31, 1954.

17. Paragraph (4) of the United Kingdom Agreement is inapplicable since, to our knowledge, the United States Government did not, before December 31, 1954, waive for the future the rebate allowed to it. Paragraph (5) of the United Kingdom Agreement therefore becomes paragraph (4) of the Canadian Agreement.

Procedure

18. It will be apparent from the foregoing comments that before presenting the draft to the Koreans it will be necessary to obtain from the appropriate United States and United Kingdom officials further information as to -

- 5 -

- (a) the rate or rates of exchange which they used with respect to advances made between January 1, 1955 and June 30, 1955;
- (b) whether the 10% to which the United States Government was entitled with respect to advances made after December 31, 1954, was waived.

19. The answer to the first of these questions has a bearing on sub-paragraph (1) of our draft agreement, and (as pointed out in paragraph 10 above) will require the addition of one or more sub-paragraphs to the draft. The answer to the second question (as pointed out in paragraph 15 above) may require an amendment to the phrase about the 5% rebate in sub-paragraph (1) of the draft agreement. I would suggest that when you have obtained the necessary information from the United States or United Kingdom authorities you might let us know by telegram what changes you consider necessary in the draft agreement, and we shall then give final approval to the draft and authorize its presentation to the Korean authorities.

20. The further question arises as to the form in which the agreement should be concluded. The agreement of September 28, 1954, between the United Kingdom and the Republic of Korea was in the form of an exchange of notes between the Korean Minister of Finance and the British Minister in Seoul. Our own draft is in similar form, and we are inclined to think that the Canadian note should be signed in Seoul either by Mr. Newton or, if you thought it preferable, by yourself. Since a Full Power will no doubt be required for this purpose, we would be glad to know at your earliest convenience whether you think it desirable that you should go to Seoul for the signing. On the Korean side, I presume that the note in reply would be signed by the Minister of Finance or the Foreign Minister.

21. Since this despatch was drafted, we have received from Washington a telegram (No. 2073 of December 21, copy attached) informing us that the Korean Embassy there raised the matter of a settlement with our Embassy. We are asking our Embassy to tell the Koreans that the question will be taken up shortly in Seoul. For your own information, the dollar figure quoted by the Koreans is very close to our own calculation of the amount outstanding on December 31, 1954, if the rebate is disregarded. Our position on the rebate would of course be difficult to question in view of the repayment recently made to the United Kingdom. It would appear, therefore, that agreement should not be too difficult to reach.

R. M. MACDONNELL
FOR THE

Secretary of State
for External Affairs

Draft Canadian Note

I refer to the Agreement of September 28, 1954, between the Governments of the United Kingdom of Great Britain and Northern Ireland, and of the Commonwealth of Australia and of New Zealand and the Government of the Republic of Korea concerning the settlement by British Commonwealth Forces, Korea, of the advances in Korean currency made by the Government of the Republic of Korea from July 1950 under the Agreement between the Government of the Republic of Korea and of the United States of America of July 28, 1950, and the arrangements for the settlement of future advances made under that Agreement. Sub-paragraph (2) of the Agreement of September 28, 1954, provides that:

"As to the currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebates as in points (3) to (7) above."

I now have the honour to propose, on behalf of the Government of Canada, an agreement in the following terms based on the Agreement between the Governments of the United Kingdom and of the Republic of Korea, it being understood that wherever the expression "hwan" appears in this letter it includes the expression "won":

- (1) The Government of Canada will, within one month of the signature of this letter, pay, in Canadian dollars, to the Government of the Republic of Korea an amount equal to the liabilities of the Canadian Government in respect of hwan advanced by the Government of Korea up to June 30, 1955. The amount of these liabilities shall be equal to the amount, less a 5 percent rebate, of hwan advanced up to June 30, 1955, converted with respect to:
 - (a) advances made prior to May 31, 1954, at the military conversion rate prevailing at the time the local currency was advanced;
 - (b) The advance made on June 17, 1954, at the rate of 259 hwan to the Canadian dollar;
 - (c) The advance made on July 15, 1954, at the rate of 261 hwan to the Canadian dollar;
 - (d) The advance made on August 17, 1954, at the rate of 320 hwan to the Canadian dollar;
 - (e) The advance made on September 21, 1954, at the rate of 320 hwan to the Canadian dollar;
 - (f) The advance made on October 1, 1954, at the rate of 319 hwan to the Canadian dollar;

- 2 -

- (g) The advance made on November 19, 1954, at the rate of 320 hwan to the Canadian dollar;
 - (h) The advance made on December 31, 1954, at the rate of 331 hwan to the Canadian dollar."
- (2) Subject to the provisions of sub-paragraph (7) below, settlement for advances that are or were made after June 30, 1955, less any sum returned under Article 2 of the Agreement between the Government of the Republic of Korea and the United States of America of July 28, 1950, will be effected monthly in Canadian dollars at the military exchange rate (expressed in United States dollars) in force on the date or dates when advances are or were made and further by applying the noon market rate (expressed in Canadian dollars) as reported by the Bank of Canada, for the United States dollar on the date of the advance. In the event of a devaluation of the hwan affecting hwan advanced, the Government of the Republic of Korea will allow six days grace from the date on which the Government of Canada is officially notified of the devaluation for the return of hwan balances under Article 2 of the aforesaid Agreement.
- (3) The Government of the Republic of Korea will allow the Canadian Government a rebate of 5 percent of advances made after June 30, 1955, in respect of expenditure by the Canadian component of the British Commonwealth Forces, Korea.
- (4) If after December 31, 1954, but on or before December 31, 1955, the United States Government repay to the Government of the Republic of Korea a sum equivalent to that allowed to the United States Government as a rebate, the Government of Canada will repay to the Government of the Republic of Korea a sum equivalent to the rebates provided for under sub-paragraphs (1) and (3) above.
- (5) Subject to the provisions of sub-paragraph (6) below, if at any time after December 31, 1955, the United States waive for the future the rebate allowed to them but without making any repayment in respect of the rebate in the past, the Government of Canada will do likewise.
- (6) After December 31, 1955, no retroactive adjustment will be made between the Government of the Republic of Korea and the Government of Canada in respect of any rebate allowed.
- (7) The Government of the Republic of Korea agree to grant retroactively and for the future to the Government of Canada terms not less favourable than those which have been granted at any

.....3

- 3 -

time after May 31, 1954, to the Government of the United States in respect of the rate of exchange and methods of obtaining Korean currency.

If the foregoing proposal is acceptable to the Government of Korea, I have the honour to suggest that this note and Your Excellency's reply to that effect shall be regarded as constituting an agreement between the Government of Canada and the Government of the Republic of Korea, which shall become effective on the date of Your Excellency's reply and shall remain in effect until such time as it is mutually agreed that the need therefore has ceased.

2.

Draft Korean Reply

I have the honour to acknowledge receipt of Your Excellency's note of today's date which reads as follows:

(Quote in extenso)

In reply I have the honour to inform Your Excellency that the above mentioned terms are acceptable to the Government of the Republic of Korea, and that they, therefore, agree with your proposal that your note and this reply should be regarded as constituting an agreement between the two Governments which is effective on the date of this letter and shall remain in effect until such time as it is mutually agreed that the need therefor has ceased.

**Tabulation showing Korean Currency drawings
by Canada from the United Nations
Funding Officer for the period November 1950 to June 1953**

**A. ^v Korean Currency drawings which Korean Government
has stated Canada has received from UN Funding Officer**

<u>Date</u>		<u>Amount Won</u>	<u>Cumulative Total</u>
3 Nov 50		10,000,000	10,000,000
31 Jan 51	Cr	9,000,000	1,000,000
6 Feb 51		1,000,000	2,000,000
20 Apr 51		3,000,000	5,000,000
7 May 51		10,000,000	15,000,000
19 May 51		5,000,000	20,000,000
29 May 51		30,000,000	50,000,000
8 Jun 51		5,000,000	55,000,000
28 Jun 51		25,000,000	80,000,000
12 Jul 51		15,000,000	95,000,000
22 Jul 51		10,000,000	105,000,000
7 Aug 51		40,000,000	145,000,000
26 Aug 51		20,000,000	165,000,000
12 Sep 51		15,000,000	180,000,000
9 Oct 51		15,000,000	195,000,000
14 Oct 51		20,000,000	215,000,000
15 Nov 51		40,000,000	255,000,000
15 Nov 51		20,000,000	275,000,000
1 Dec 51		40,000,000	315,000,000
1 Dec 51		20,000,000	335,000,000
11 Dec 51		60,000,000	395,000,000
28 Dec 51		60,000,000	455,000,000
18 Jan 52		110,000,000	565,000,000
23 Jan 52		60,000,000	625,000,000
13 Feb 52		100,000,000	725,000,000
21 Mar 52		100,000,000	825,000,000
24 Apr 52		100,000,000	925,000,000
28 May 52		100,000,000	1,025,000,000
7 Jun 52		100,000,000	1,125,000,000
25 Jun 52		100,000,000	1,225,000,000
28 Jul 52		100,000,000	1,325,000,000
25 Aug 52		100,000,000	1,425,000,000
25 Sep 52		100,000,000	1,525,000,000
28 Sep 52		100,000,000	1,625,000,000
25 Oct 52		100,000,000	1,725,000,000
13 Nov 52		200,000,000	1,925,000,000
10 Jan 53		500,000,000	2,425,000,000
			<u>Total</u>

	<u>Amount Hwan</u>	
25 Mar 53	2,500,000	<u>2,500,000</u>

**Total (Nov 50 - Apr 53) 2,425,000,000 Won
2,500,000 Hwan**

NOTE ^v Paragraph 2 of the enclosure with Despatch No. 787 dated 31 Jul 53 from the Canadian Ambassador Tokyo, Japan, to the Secretary of State for External Affairs reads in part "The Government of the Republic of Korea has been notified, by the United Nations Funding Officer, that during the period from July 1950 to 30 April 1953 inclusive the sum of Won 2,425,000,000 and Hwan 2,500,000 has been so transferred to the Forces of Canada".

- 2 -

B. Korean Currency drawings which the Korean Government
has NOT confirmed Canada has drawn from the UN Funding Officer

<u>Date</u>	<u>Amount Hwan</u>	<u>Cumulative Total</u>
20 May 53	2,000,000	2,000,000
2 July 53	2,000,000	4,000,000
Aug 53	2,000,000	6,000,000
3 Sep 53	3,000,000	9,000,000
16 Oct 53	1,500,000	10,500,000
7 Dec 53	3,000,000	13,500,000
6 Jan 54	3,000,000	16,500,000
19 Feb 54	2,000,000	18,500,000
18 Mar 54	3,000,000	21,500,000
20 Apr 54	3,000,000	24,500,000
21 May 54	2,000,000	26,500,000
17 Jun 54	2,000,000	28,500,000
18 Jul 54	2,500,000	31,000,000
17 Aug 54	2,500,000	33,500,000
21 Sep 54	2,000,000	35,500,000
1 Oct 54	2,000,000	37,500,000
19 Nov 54	500,000	38,000,000
31 Dec 54	700,000	38,700,000
6 Jan 55	2,000,000	40,700,000
4 Feb 55	900,000	41,600,000
9 Mar 55	1,000,000	42,600,000
23 Mar 55	1,100,000	43,700,000
12 Apr 55	150,000	43,850,000
6 May 55	445,000	44,295,000
6 Jun 55	500,000	44,795,000
Total (May 53 - Jun 55)		Total 44,795,000 HWAN

D Army Budget
11 Mar 55

(as amended 25 Nov 55)

NOON MARKET RATE OF EXCHANGE ON THE UNITED STATES DOLLAR
IN TERMS OF CANADIAN CURRENCY

<u>Date of Hwan Advance</u>	<u>Amount of Hwan Advance</u>	<u>Value of U.S. Dollar in Canadian Currency at Noon as Published by Bank of Canada</u>
<u>1954</u>		
June 17	2,000,000	0.9809375
July 15	2,500,000	0.973125
Aug. 17	2,500,000	0.9690625
Sept. 21	2,000,000	0.9690625
Oct. 1	2,000,000	0.9703125
Nov. 19	500,000	0.9690625
Dec. 31	700,000	0.96625
<u>1955</u>		
Jan. 6	2,000,000	0.9653125
Feb. 4	900,000	0.9703125
Mar. 9	1,000,000	0.981875
Mar. 23	1,100,000	0.9825
Apr. 12	150,000	0.9850
May 6	445,000	0.988125
June 6	500,000	0.984375

MESSAGE FORM
FOR CLASSIFIED MESSAGES ONLY

210-7-13

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
OPERATIONAL IMMEDIATE	<input checked="" type="checkbox"/>			TOPSEC	
PRIORITY	<input type="checkbox"/>			SECRET	
ROUTINE	<input type="checkbox"/>			CONFD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED	<input type="checkbox"/>			RESTD	
		FROM		GR	
		TO			
		DOMCAN TOKYO JAPAN			
		EXTERNAL OTTAWA Canada			

INFO

ORIGINATOR'S NO.

Your Despatch DL-800 of December 22, 1955

Settlement of Advances of Korean Currency.

For period January first to June 30, 1955, BCFK obtained in terms of U. S. dollars following rates of exchange:

	<u>hwan</u>
January	309.3
February 1	426.73
March 19	485.
April 13	430.2
May 19	416.5
June 6	509.5

2. For same period, U. S. authorities obtained at auctions following average monthly rate:

	<u>hwan</u>
January	430

... 2

ORIGINATOR G. Bertrand	TELEPHONE	DATE - TIME GROUP Jan.17/56	FILE NO. Z 210-7-13A
---------------------------	-----------	--------------------------------	-------------------------

DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM FOR CLASSIFIED MESSAGES ONLY

INDICATE DEGREE OF PRECEDENCE		FOR MESSAGE CENTRE USE ONLY		MARK X TO INDICATE SECURITY CLASSIFICATION	
				TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFD	
ROUTINE				RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		FROM		GR	
		TO			

INFO

ORIGINATOR'S NO.

12

-2-

February, March, April

500

May, June

440

3. I intend, subject to your concurrence, to add seven subparagraphs to paragraph one of draft note, using U. S. rate with exception of June 6 advance. After conversion into Canadian currency they shall specify following rates:

(i)	445
(j)	515
(k) (1)	509
(m)	508
(n)	445
(o)	518

42 United States did not waive rights to 10% rebate on drawings made after December 31, 1954.

Davis

T. C. DAVIS


ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
		Z	

January 17, 1956

Note for File 210-7-13A.

Re: Paragraph 18 (b) Ottawa Despatch No. DL-800 of December 1955 on Settlement of Advances of Korean Currency to Canadian Forces.

Furley-Smith, Second Secretary (Financial) British Embassy, told me that the United States Government did not waive the 10% rebate to which they were entitled with respect to advances made after December 31, 1954. Consequently the British (and Australian and New Zealand) authorities asked for a 5% rebate last January, which the Korean Government granted in October. We should, consequently, ask for the same rebate of 5% to which we are entitled.


G. Bertrand

File 210-7-13A

Proposed addition to Paragraph (1) of Draft Note to Koreans

- (i) The advance made on January 6, 1955, at the rate of 445 hwan to the Canadian dollar;
- (j) The advance made on February 4, 1955, at the rate of 515 hwan to the Canadian dollar;
- (k) The advance made on March 9, 1955, at the rate of 509 hwan to the Canadian dollar;
- (l) The advance made on March 23, 1955, at the rate of 509 hwan to the Canadian dollar;
- (m) The advance made on April 12, 1955, at the rate of 508 hwan to the Canadian dollar;
- (n) The advance made on May 6, 1955, at the rate of 445 hwan to the Canadian dollar;
- (o) The advance made on June 6, 1955, at the rate of ~~447~~ 518 hwan to the Canadian dollar.

Wwan.

Wwan

Value of U.S. dollar in
Canadian currency

430	1. (U.S.)	445.45	0.9653125
500	" "	515.29	0.9703125
500	" "	509.22	0.981875
500	" "	508.90	0.9825
500	" "	507.61	0.9850
440	" "	445.28	0.988125
440	" "	446.98	0.9841375

254	" "	258.93	0.9809375
254	" "	261.01	0.973125
310	" "	320.10	0.9690625

16 Jan 56

M E M O R A N D U M

gay
3 copies Ms. -
YB. -

TO: Mr G Bertrand, Canadian Embassy

FROM: Military Attache

Subject: Settlement of Advances of Korean Currency
to Canadian Forces.

Reference your file 210-7-13A of 12 Jan 56.

1. Chief Paymaster, BCFK, advises the rates in effect from 1 Jan 55 to 30 Jun 55 were as follows:

Jan	-	309.3	Hwan per \$1.00 US
1 Feb	-	426.73	
19 Mar	-	485.0	
13 Apr	-	430.2	
19 May	-	416.5	
6 Jun	-	509.5	
9 Jul	-	467.34	
8 Aug	-	592.5	
23 Aug	-	500.0	

2. Chief Paymaster also advises that the United Kingdom received the 5% rebate which would indicate that United States either received or did not waive the 10% rebate.

3. US authorities obtained Hwan by auction during the above mentioned period, ie, they called for tenders from Korean businessmen. A total of 22 such auctions were held during the period 1 Jan to 15 Aug 55. From the bids obtained the American authorities established an average monthly rate at which Hwan were made available to United Nations personnel. These rates were:

Jan	-	430	Hwan per \$1.00 US
Feb	-	500	
Mar	-	500	
Apr	-	500	
May	-	440	
June 440	-	July	- 480
1-15 Aug	-	510	
16 Aug	-	500	



(E.D. Elwood) Colonel
Military Attache

Our File No. 210-7-13A

cc Department

Tokyo, January 13, 1956

Dear Mr. Kim,

You are probably familiar with the question of advances of Korean currency to Canadian Forces, and you may recall the exchange of correspondence on the subject which you had with this Embassy in 1953. My reference is your Note of July 30 of that year to our former Ambassador, Mr. Mayhew, to which was attached the original of a letter from your Foreign Minister to the Secretary of State for External Affairs of the Canadian Government.

I am pleased to inform you that I have now received instructions from our Department to discuss this question further in Seoul with a view to reaching an agreement with your Government as speedily as possible. I would like, if possible, to leave Tokyo for Seoul on the 30th of this month.

I should be grateful if, despite the short notice, you would be kind enough to inform your Ministry of the purpose of my forthcoming visit and to ascertain whether the appropriate Korean authorities would be willing to hold talks at this time.

. . . 2

His Excellency Mr. Kim Yong Shik,
Minister,
The Korean Mission,
Tokyo.

- 2 -

You may wish to inform the Acting Foreign Minister, Dr. Cho, and the Minister of Finance, who has an interest in this matter, that I should be pleased to meet them or their representatives at whatever time is convenient for them after my arrival in Seoul.

I should be grateful if you would let me know as soon as possible whether the time proposed for my trip to Korea for this purpose is suitable. In view of the shortness of intervening time, we have not prepared an official note to your government suggesting these discussions, but should you consider it necessary, we should be glad to address such a note to whatever official of your government you consider appropriate.

Yours sincerely,

T. F. M. Newton

T. F. M. Newton,
Minister-Counsellor.

Mr Newton *clean by*
To see before filing.
43

Confidential

January 12, 1956

File No. 210-7-13A

Memorandum for the Military Attache

Subject: Settlement of Advances of Korean Currency to Canadian Forces

I attach for your information a copy of the Ambassador's despatch No. 40 of January 11, 1956, to the Department, in which he mentions that he is in agreement with the suggestion made that Mr. Newton go to Korea to present the Canadian Government draft agreement to the appropriate officials in Seoul in order to attempt to reach a settlement on this question. I believe that your file 6-5-2(A) contains a great deal of information on this subject. I am sorry to state that no extra copies of despatch No. DL-800 of December 22, 1955, to which the Ambassador replied, were forwarded but that some are expected from the Department within the next few weeks. In view of the fact that it would take considerable time to have copies typed here I thought it preferable to request copies from the Department. Meanwhile, on the occasion of the frequent calls you make at the Embassy you may wish to drop in to have a look at it.

2. The background of this question is, as briefly as possible, as follows:-

Background to the Problem

Provision of Korean currency for the use of Canadian forces serving under the United Nations Command in Korea was made under an agreement dated July 28, 1950, between the Governments of the United States and of the Republic of Korea. The Agreement provided:

- (a) that Korean currency would be advanced to a United Nations funding officer who would in turn make it available to the various forces as required.
- (b) that each government would settle directly with the Korean Government for currency advanced by the funding officer; and

-2-

- (c) that settlement for the currency advanced under the Agreement was to be deferred until such time as was mutually satisfactory to the governments concerned.

In February 1953 the United States entered into an agreement with the Korean Government which provided for the settlement of advances to United States troops and for a method of paying for future advances on a current basis. The United States received a 10% rebate on past and future hwan drawings. At that time the Canadian Government considered the advisability of entering into a similar agreement with Korea. It was considered, however, that there might be other claims on both sides which would appear only after the cessation of hostilities, and that it would therefore be advisable to postpone negotiations until an overall settlement could be achieved.

Canadian troops continued, therefore, to make use of the provisions of the July 1950 Agreement, notwithstanding that the United States forces were, after February, 1953, paying on a current basis for drawings of Korean currency. On July 15, 1953, the Minister of the Republic of Korea handed to the Canadian Ambassador in Tokyo a request to the Canadian Government to negotiate an agreement similar to the one which the United States had signed in February of that year. A similar note was sent to the United Kingdom.

After some hesitation the United Kingdom agreed to negotiate with the Korean Government. It invited the Canadian Government to associate itself with the other Commonwealth governments having forces in Korea in negotiating the agreement. We accepted the invitation. On September 28, 1954, an agreement, in the form of an exchange of notes, was signed. The United Kingdom negotiators could not secure a 10% rebate. They settled, subject to certain conditions, for a 5% rebate on past and future drawings. Paragraph 8 of the Agreement provided that:

"As to currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebate as in points (3) to (7) above."

-3-

Paragraph 9 of the Agreement provided that:

"The Government of the Republic of Korea agree to grant retrospectively and for the future to the Governments of the United Kingdom, Australia, New Zealand and Canada terms not less favourable than those which may be granted after May 31, 1954, to the Government of the United States in respect of the rate of exchange and the methods of obtaining Korean currency."

3. I attach for your confidential information a copy of the draft Canadian note which it is intended should be submitted to the appropriate Korean officials. It will be necessary to add, as required, one or more sub-paragraphs to paragraph 1 of this agreement specifying the rate of exchange to be applied to advances made between January 1, 1955 and June 30, 1955. This should be the military conversion rate as provided for in paragraph 2 of the United Kingdom agreement or, if the United States has obtained a more favourable rate than the military conversion rate, the more favourable rate as provided for under paragraph 9 of the United Kingdom agreement. I should, therefore, be grateful if you would try to secure from the appropriate United States ~~and~~ United Kingdom authorities the rate or rates of exchange which they used with respect to advances made between January 1, 1955, and June 30, 1955.

4. Before submitting the draft it will also be necessary to obtain information concerning a 10% rebate to which the United States Government was entitled with respect to advances made after December 31, 1954.

5. Paragraph 3 (ii) of the United Kingdom Agreement provides in effect that the Republic of Korea will allow to the United Kingdom a rebate of 5% on drawings made after December 31, 1954, provided that the United States has not waived its rights to its rebate on these drawings. It is not definitely known whether the United States have waived, for advances made after December 31, 1954, the 10% rebate to which they are entitled under the terms of their agreement with the Koreans. If they did waive it, some changes would have to be made in our draft agreement. I should be grateful if you could obtain confirmation from the United States authorities on that point.

. . . 4 .

-4-

6. Mr. Newton intends to proceed to Korea on January 30, and consequently it would be greatly appreciated if you would secure this information as early as possible so that any necessary changes in the draft agreement may be cleared with the Department of External Affairs, after consultation with the Departments of Finance and National Defence.

G. Bertrand.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

DESPATCH

TO: THE SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: The Canadian Ambassador,
Tokyo, Japan.

Reference: Your Despatch No. DL-800 of December
22, 1955

Subject: Settlement of Advances of Korean
Currency to Canadian Forces

Confidential

Security:

No:

Date: January 11, 1956

Enclosures:

Air or Surface Mail: Air

Post File No: 340-0 210-7-13A

Ottawa File No.

References

I thank you for the detailed instructions in your despatch under reference concerning the settlement of advances of Korean currency to Canadian Forces. I quite agree with your decision not to send, at this early stage, anyone from Ottawa to conduct these negotiations in view of the fact that, since our proposed agreement is chiefly based on that already concluded by the United Kingdom with the Korean Government, no serious difficulties are likely to arise. As requested, Mr. Newton will be pleased during his forthcoming trip to Korea on January 30 to present your draft agreement to the appropriate officials in Seoul and give them any necessary explanations. Steps have been taken to secure the information mentioned in paragraph 18 of your despatch and I trust that it will be received in time for you to approve the additions to your draft agreement before Mr. Newton's departure from Japan.

Internal
Circulation

2. I am in agreement with your suggestion that the matter be settled in the form of an exchange of notes between the Korean Minister of Finance or the Foreign Minister and Mr. Newton. I do not see that any specific purpose would be served by my going to Korea for the signing and, consequently, you may wish to have a Full Power to Sign made in the name of Mr. Newton.

Distribution
to Posts

3. As soon as I receive information on the rate or rates of exchange used by the U. S. and the U. K. with respect to advances made between January 1, 1955, and June 30, 1955, and on the matter of the waiving of the 10% rebate to which the United States Government was entitled with respect to advances made after December 31, 1954, I shall let you know by telegram what changes we consider necessary in the draft agreement.

4. No duplicate of your despatch under reference and attachments was forwarded, which is rather inconvenient as further copies will have to be typed locally if we are to serve as channel of communication with you when Mr. Newton goes to Korea for the talks.

T. C. DAVIS

T. C. Davis,
Ambassador.

Confidential

January 11, 1956

File No. 210-7-13A

*Seen by Mr Newton
+ Amb.
who says*

Memorandum for the Ambassador (through Mr. Newton):-

Settlement of advances of Korean currency to
Canadian Forces

As you probably know, the Canadian Government owes the Government of South Korea several hundred thousand dollars for advances of Korean currency made to our forces since the outbreak of the Korean conflict. On September 28, 1954, an agreement through an exchange of notes was signed in Seoul for the settlement of these advances of money to the British Commonwealth Forces, Korea. Article 8 of that agreement provides that the Government of the Republic of Korea will offer to the Government of Canada similar terms on ~~recapitulation~~ ^{the calculation} of the liability under certain conditions set forth in other articles of the agreement. It has now been decided by the ~~departments~~ ^{Canadian} concerned that the time has come to proceed with the negotiations for a settlement of these advances. It was first suggested that the negotiations be held in Washington between representatives of our Embassy and those of the Korean Mission there. However, it was felt by our Ambassador in Washington that it would be difficult to hold the talks there since "even in the matter of commas" the Korean Legation in Washington has to clear with Seoul. Thereafter the Department requested our views on the shifting of negotiations to Seoul. We replied that the idea was excellent but that it would be difficult to spare Mr. Newton for the probable considerable amount of time it would take to conclude the agreement with the Korean authorities. The Department has now replied (Despatch DL-800 of December 22, 1955, attached, refers) that agreement should not be too difficult to reach and that, consequently, you may wish to agree that Mr. Newton present our draft agreement to the appropriate officials in Seoul and give them any necessary explanation. The Department made the remark that if the matter seemed likely to drag on for more than, say, two weeks, or if unexpected difficulties arose, he might return to Tokyo and the Departments concerned would consider despatching financial experts from Ottawa, as suggested by us.

000114

-2-

2. I am told by Mr. Newton that he will probably go to Korea late this month or early in February, at which time ~~he~~ ^{we} hope all necessary information required from the United States and United Kingdom authorities prior to submission of the draft will have been obtained. (Paragraphs 18 and 19 of the attached despatch refer). This information is related to rate or rates of exchange used by these authorities with respect to advances made between January 1, 1955, and June 30, 1955, and also the matter of a 10% rebate on advances made to U. S. Forces after December 31, 1954.

3. The Department, in paragraph 20 of the attached despatch, suggests that our agreement should be concluded in the form adopted by the U.K. and the Republic of Korea, that is to say, an exchange of notes between the Korean Minister of Finance and either Mr. Newton or yourself. Consequently, a full power to sign will be required and the Department is anxious to know whether you think it desirable, should Mr. Newton be successful, that you go to Seoul for the signing or whether you would prefer that Mr. Newton sign.

4. I should be grateful if you would let me have your comments on this question so that a ~~telegram~~ ^{despatch} may be sent to the Department in order to enable them to have a full power prepared in time.

5. It might be that you cannot as yet decide whether you will wish or be able to go to Korea. If this is the case I could suggest to the Department that a power to sign be prepared for you or Mr. Newton alternatively, as was done for the agreement on the Hodogaya Cemetery. This, I believe, is the best course of action.

*The Ambassador
agreed that Mr
Newton would*

G. Bertrand
G. Bertrand

*go to Korea & would
sign. — This agreement
confirmed in Despatch No 48 of
January 11, 1956, to Dept. —*

000115

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

DESPATCH

... HEAD. OF. POST
..... TOKYO, Japan
FROM: THE SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.
Reference: Your Despatch No. 980 of Sept. 7/55.
Subject: Settlement of Advances of Korean
..... Currency to Canadian Forces
.....

Security: ... CONFIDENTIAL

No: ... 104-800

Date: ... December 22, 1955 ...

Enclosures:

Air or Surface Mail:

Post File No: ... 340-0

Ottawa File No.

References

Since receiving your despatch under reference we have been considering, with the Departments of Finance and National Defence, how best to proceed with the negotiations for a settlement of these advances. The outstanding questions of substance have to a large extent been clarified in the interval, and there does not appear now to be any reason for further delay.

2. One of these questions, you will recall, was whether any part of the Canadian liability could be offset against the liability incurred by the ROK Government as a result of the purchase of surplus equipment from BCFK. It now seems clear that this would not be possible, since BCFK is unlikely to have much if any hwan surplus from the disposals organization, and since credits to Canada from hwan sales have in any case been made in sterling.

3. Another question was related to the 5% rebate agreed to by the Koreans, on certain conditions, in their settlement with the United Kingdom, Australia and New Zealand. You will recall that since the United States authorities did not repay their 10% rebate by December 31, 1954, the repayment of 5% of all official expenditure by the United Kingdom, Australian and New Zealand components of BCFK should have been made by the Koreans within one month of that date. In fact, although the United Kingdom Legation in Seoul steadily pressed them for it, the Koreans did not make the repayment until the beginning of November. The fact that they did finally fulfil this obligation will of course be useful in pressing our own case.

4. The draft agreement which was prepared some months ago (and which was attached to our letter No. D-660 of May 4, 1955 to Washington) has been revised. A copy of the revised draft is appended to this letter. The principal change is that we now suggest that the lump-sum settlement should be in respect of advances made up to and including June 30, 1955. The rates of exchange have also been changed, as those shown in the earlier draft were not in accordance with paragraph 2 of the United Kingdom's agreement with Korea of September 28, 1954.

5. We have given careful consideration to your suggestion that one or more persons be sent from Ottawa to Seoul for the purpose of conducting these negotiations.

Internal
Circulation

NO.

2. AMBASSADOR
NEWTON M
HALSTEAD

3 RETTIE
ROBERTSON

1 BERTRAND (action)

INIT.

Distribution
to Posts

- 2 -

OK Your reluctance to let Mr. Newton be tied up for any considerable time in Korea is fully appreciated, as this would interfere with his normal duties in Tokyo and his reporting on Korean affairs. We agree also that it would be undesirable to ask the British Legation in Seoul to undertake responsibility for the negotiations, although we think that they might reasonably be asked, if necessary, to act as an intermediary for correspondence. On the other hand, since our draft agreement is based in large part on the United Kingdom Agreement, we would expect that it might be possible to conclude it without undue difficulty or delay.

OK 6. While I agree with you, therefore, that sending a qualified negotiator from Ottawa might be the best course, I am not inclined to think that it is essential, at least in the initial stages. I would suggest that Mr. Newton might present our draft agreement to the appropriate officials in Seoul and give them any necessary explanations. If the matter seemed likely to drag on for more than say, two weeks, or if unexpected difficulties arose, he might then return to Tokyo and we could consider whether the matter should be pursued by correspondence or alternatively whether someone with specialized knowledge of the subject should be sent from Ottawa.

OK 7. The background to the problem was outlined in paragraphs 4 to 7 of our letter No. D660 of May 4, 1955 to the Embassy in Washington, to which you might wish to refer. The latter part of that letter (paragraphs 8 to 17) dealt with details of the draft agreement and may now be disregarded, as the comments on the draft agreement have been revised and incorporated in the following paragraphs of this letter.

The Draft Agreement - Comments

OK 8. The draft differs from the United Kingdom Agreement which provided for a lump-sum payment of £1.8 million in part (about 75%) payment of the total liabilities of the Commonwealth governments concerned and for a further lump-sum payment to be made within one month of the date of signature of the Agreement. This provision was inserted because the exact amount of the total liability was unknown at the time the Agreement was signed. Furthermore, the immediate payment of £1.8 million was offered as an inducement to the Koreans to make some concessions with respect to the rate of exchange and the rebate.

OK 9. We might have to follow this procedure if the exact amount of our liability cannot be estimated immediately or if some unforeseen difficulties arise in the course of the negotiations. Such difficulties could possibly arise

OK (a) if the Koreans wish to renegotiate paragraph 1 of the United Kingdom agreement. Paragraph 8 of the United Kingdom agreement does not provide for similar terms being extended to Canada with respect to advances made prior to May 31, 1954;

OK (b) if the Koreans are not satisfied with the rate of exchange which we propose should be used with respect to advances made prior to May 31, 1954. The United Kingdom Agreement provides that the liabilities shall be calculated for the period up to February 23, 1953, at the military conversion rate prevailing at the time the local currency was actually expended, and thereafter at the military conversion rate prevailing at the time the local currency was advanced. Calculation of our liabilities for the period up to May 31, 1954 at the military conversion rate prevailing at the time the local currency was actually expended would involve a considerable amount of work. On the other hand, the two rates may be treated as practically identical since the Canadian paymaster in Korea kept the amount of local currency on hand to a minimum;

(c) if the Koreans are not satisfied with the rates of exchange proposed with respect to advances made between June 1, 1954 and June 30, 1955.

OK - (i) We understand that the military conversion rate applied to advances made to the United States during the period from June to August 1954 was 254 hwan to the dollar and during the period from September to November 1954, 310 hwan to the dollar; and that in December 1954 the rate of exchange was set by auction. The auction rate chosen for our purposes (520 hwan to the dollar) is the rate set at the last auction because the advance made by the Republic of Korea in December 1954 was made on December 31, 1954. There were three successful auctions in that month; the first at 420 hwan to the dollar, the second at 522 and the third at 520;

OK (ii) These rates are expressed in terms of United States dollars. Under paragraph 2 of the United Kingdom Agreement, they can be expressed in Canadian dollars. They were therefore adjusted to take into account the rate of exchange between the Canadian and United States dollars by applying the noon market rate (expressed in Canadian dollars) as reported by the Bank of Canada for the United States dollar on the date of the advance.

OK (iii) The rate to be applied to advances made between January 1, 1955 and June 30, 1955, are not given in the draft. They should be set in the manner described in the next paragraph.

OK 10. It will be necessary to add, as required, one or more sub-paragraphs to paragraph (1) of the draft agreement specifying the rate of exchange to be applied to advances made between January 1, 1955 and June 30, 1955. This should be the military conversion rate as provided for in paragraph 2 of the United Kingdom Agreement or, if the United States has obtained a more favourable rate than the military conversion rate, the more favourable rate as provided for under paragraph 9 of the United Kingdom Agreement. This rate should in turn be adjusted to take into account the rate of exchange of United States dollars in terms of Canadian dollars. In this connection we are attaching a table showing the noon market rate of exchange for the United States dollar on the dates on which the advances of Korean currency were made. Before drafting these additional paragraphs you will have to obtain from the United States or United Kingdom authorities the rate or rates of exchange which they used with respect to advances made between January 1, 1955 and June 30, 1955.

Paraphrase OK 11. There is some doubt whether the United States returned their outstanding balances on the dates on which the hwan was devalued. If they did, it would seem that we could claim a similar adjustment under paragraph (9) of the United Kingdom-Korean Agreement. However, in view of the fact that the amount owed by Canada to the Republic of Korea has been outstanding for some time and that the Koreans might wish to charge interest on it, it is considered that it would be preferable not to raise this point unless the Koreans raise the question of interest.

OK 12. The United Kingdom Agreement provided that the lump-sum settlement would be in respect to liabilities incurred up to May 31, 1954. Our draft provides that the Canadian lump-sum settlement will cover the period up to June 30, 1955, and will be paid within

one month of the signature of the Agreement, on the assumption that the liabilities incurred by the Canadian forces in Korea between May 31, 1954 and June 30, 1955, are known. If they cannot be calculated, the payment may have to be split in two. A settlement covering this longer period also assumes, as implied in paragraphs 9 and 10, that the United States and the United Kingdom have agreed with the Koreans on the conversion rates to be applied to liabilities incurred after May 31, 1954, and up to June 30, 1955.

OK 13. Paragraph (3) of the United Kingdom Agreement provides, among other things, that "unless on or before December 13, 1954, the United States Government repay to the Government of Korea a sum equivalent to that allowed to the United States Government as a 10% rebate in respect of official expenditure under the terms of the settlement of hwan advances to the United States Forces in Korea, the Government of the Republic of Korea shall:

- OK (i) within one month of December 31, 1954, repay to the United Kingdom Government an amount equivalent to 5% of all past drawings made up to and including December 31, 1954, in respect of official expenditure by the United Kingdom, Australia and New Zealand components of the British Commonwealth Forces, Korea."

OK 14. The United States Government has not repaid to the Government of the Republic of Korea the amount referred to in paragraph 3(i) of the United Kingdom Agreement and the Republic of Korea has as a consequence repaid to the United Kingdom a sum equivalent to 5% of all hwan drawings up to and including December 31, 1954. We are therefore entitled to a 5% rebate on all drawings up to and including December 31, 1955. This is provided for in paragraph (1) of the draft agreement. 1954?

OK 15. Paragraph 3(ii) of the United Kingdom's Agreement provides in effect that the Republic of Korea will allow to the United Kingdom a rebate of 5% of drawings made after December 31, 1954, provided that the United States has not waived its right to its rebate on these drawings. / It is not definitely known whether the United States has waived for advances made after December 31, 1954, the 10% rebate to which they are entitled under the terms of their Agreement with the Koreans. If they did waive it, the words "less a 5 per cent rebate" would have to be deleted from the first part of paragraph (1) and inserted at the end of subparagraphs (1)(a) to (1)(h) so that the rebate would apply only to advances made prior to January 1, 1955. You should obtain confirmation from the United States authorities before submitting the draft to the Koreans.

16. Paragraph (3) of the draft agreement is based on paragraph 3(ii) of the United Kingdom Agreement. Paragraph 3(i) of the United Kingdom Agreement is covered, as noted above, by paragraph (1) of our draft agreement. Paragraph (3), as drafted, assumes, as in the case of paragraph (1), that the United States Government has not agreed to waive the rebate with respect to advances up to December 31, 1954.

17. Paragraph (4) of the United Kingdom Agreement is inapplicable since, to our knowledge, the United States Government did not, before December 31, 1954, waive for the future the rebate allowed to it. Paragraph (5) of the United Kingdom Agreement therefore becomes paragraph (4) of the Canadian Agreement.

Procedure

18. It will be apparent from the foregoing comments that before presenting the draft to the Koreans it will be necessary to obtain from the appropriate United States and United Kingdom officials further information as to -

- 5 -

- (a) the rate or rates of exchange which they used with respect to advances made between January 1, 1955 and June 30, 1955;
- (b) whether the 10% to which the United States Government was entitled with respect to advances made after December 31, 1954, was waived.

19. The answer to the first of these questions has a bearing on sub-paragraph (1) of our draft agreement, and (as pointed out in paragraph 10 above) will require the addition of one or more sub-paragraphs to the draft. The answer to the second question (as pointed out in paragraph 15 above) may require an amendment to the phrase about the 5% rebate in sub-paragraph (1) of the draft agreement. I would suggest that when you have obtained the necessary information from the United States or United Kingdom authorities you might let us know by telegram what changes you consider necessary in the draft agreement, and we shall then give final approval to the draft and authorize its presentation to the Korean authorities.

20. The further question arises as to the form in which the agreement should be concluded. The agreement of September 28, 1954, between the United Kingdom and the Republic of Korea was in the form of an exchange of notes between the Korean Minister of Finance and the British Minister in Seoul. Our own draft is in similar form, and we are inclined to think that the Canadian note should be signed in Seoul either by Mr. Newton or, if you thought it preferable, by yourself. Since a Full Power will no doubt be required for this purpose, we would be glad to know at your earliest convenience whether you think it desirable that you should go to Seoul for the signing. On the Korean side, I presume that the note in reply would be signed by the Minister of Finance or the Foreign Minister.

OK
21. Since this despatch was drafted, we have received from Washington a telegram (No. 2073 of December 21, copy attached) informing us that the Korean Embassy there raised the matter of a settlement with our Embassy. We are asking our Embassy to tell the Koreans that the question will be taken up shortly in Seoul. For your own information, the dollar figure quoted by the Koreans is very close to our own calculation of the amount outstanding on December 31, 1954, if the rebate is disregarded. Our position on the rebate would of course be difficult to question in view of the repayment recently made to the United Kingdom. It would appear, therefore, that agreement should not be too difficult to reach.

R. M. Macdonnell
for Secretary of State
for External Affairs

COPY

FM EMBASSY WASHINGTON DEC 21/55

TO EXTERNAL OTTAWA 2073

CONFIDENTIAL

REF OUR DESPATCH 883 OF MAY 25 AND YOUR LETTER D500 OF JULY 22 TO
TOKYO

SUB SETTLEMENT OF ADVANCES OF KOREAN CURRENCY TO CANADIAN FORCES.

A MEMBER OF THE KOREAN EMBASSY HERE RAISED WITH US TODAY,
DEC. 21, THE MATTER OF A SETTLEMENT OF THE ADVANCES OF KOREAN
CURRENCY TO CANADIAN FORCES WHO SERVED UNDER THE UNITED NATIONS
COMMAND IN KOREA.

2. MR. HAN'S APPROACH WAS SIMPLE AND STRAIGHTFORWARD. HE
UNDERSTOOD THAT "THE CANADIAN GOVERNMENT OWED THE KOREAN GOVERN-
MENT" SOME MONEY. TO BE SPECIFIC, THE DEBT AMOUNTED TO 72,145,000
HWAN, OR \$673,482.47. HIS INSTRUCTIONS WERE TO ASK US TO ASK
OTTAWA " TO SETTLE THIS DEBT QUICKLY". IN SPITE OF OUR ATTEMPTS TO
PROBE MR. HAN'S KNOWLEDGE OF THE MATTER, HE COULD NOT BE MOVED
FROM THIS SIMPLE STATEMENT OF THE CASE. WE SUSPECT THAT THE ABOVE
REPRESENTS THE SUM TOTAL OF HIS KNOWLEDGE.

3. FOR OUR PART, WE SAID ONLY THAT WE WOULD CONVEY HIS
MESSAGE TO YOU. WE SHOULD BE GRATEFUL IF, IN DUE COURSE, YOU COULD
LET US KNOW WHAT REPLY WE SHOULD MAKE TO THE KOREAN EMBASSY.

A.D.P. HEENEY.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

DESPATCH

Confidential

Security:.....

No:.....

Date:.....
September 7, 1955.

Enclosures:.....

Air
Air or Surface Mail:.....

Post File No:.....
340-0

Ottawa File No.	
10818-A-40	

THE SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: The Canadian Ambassador,
Tokyo, Japan.

Reference: Your Letter D-500 of July 22, 1955.

Subject: Settlement of Advances of Korean
Currency to Canadian Forces.

References

In your letter under reference you request the views of this Embassy on the desirability of shifting to Korea the site of the eventual negotiations on the settlement of advances of Korean currency to Canadian Forces, in view of the reluctance of our Embassy in Washington to conduct the negotiations with the Korean Embassy there. I quite agree with our people in Washington that Canadian interests might best be served by as direct representations as possible to a Korean official close to President Rhee as I know well that no initiative whatsoever is left by the President to his diplomatic representatives abroad. (Kim, the Minister in Tokyo, is reported to have said that his best source of information on the current difficulties between Japan and Korea was the press).

Internal
Circulation

2. Assuming that the talks will take place in Seoul, it would appear necessary that a negotiator or negotiators be despatched for that purpose from Ottawa, since I could not spare my Minister-Counsellor for the considerable period of time it will probably take to achieve a settlement with the Korean Government. Furthermore, I do not believe that there is at the present time in Korea, a Canadian Army Officer senior enough, or with the necessary background on this question, to be in a position to carry successful negotiations. At the same time, because the conclusion of the Commonwealth Agreement stretched over a considerable period of time, I should be most reluctant to even consider the possibility of approaching the British Legation to enlist their co-operation and request that one of their officers undertake the task on our behalf. Talks through the Korean Mission in Tokyo, are of course out of the question for the same reasons as those which apply in Washington.

Distribution
to Posts

3. The only alternative is therefore that someone be sent from Ottawa. You might wish to suggest to the Departments concerned that if an officer with previous experience of Korea and Koreans were selected, he might with more facility than a non-initiated person, go through the formidable task of having Korean officialdom (and, in last resort, the President) agree to our offer of a settlement. If I were informed long enough in advance of his coming, I could easily arrange to have his arrival in Seoul coincide with one of Mr. Newton's periodical trips to Korea, so as to facilitate his initial dealings and

-2-

introduce him to the economic advisers of the British and American Embassies for instance, or any other officials whom it would be useful to meet.

4. With regard to the second question asked in your letter under reference, I am told by the Commander, Canadian Military Mission, that, according to BCFK, sales of surplus stores in Korea up to July 23, 1955 amounted to £80,000, or approximately 80 million Hwan. The Commander could secure no forecast of the value of future sales, though, of course, if you deem it necessary, he could provide me with periodical reports from BCFK. It was the original intention of BCFK to sell surplus material in Korea only to the extent that Hwan proceeds could be utilized fully; however BCFK are now selling as much as possible with the hope of offering later to the American Forces any Hwan which would be surplus to their requirements. Since, prior to the reduction in the Canadian Force, Canadian contribution to the Korean Operating Pool Account was approximately 27% it would follow, in the estimation of the Commander, CMMFE, that our share of proceeds from surplus sales would be on the same basis.

T. G. DAVIS

Ambassador.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: THE CANADIAN EMBASSY,
TOKYO, JAPAN.

Security: CONFIDENTIAL

No: D-500

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Date: July 22, 1955.

Enclosures:

Reference:

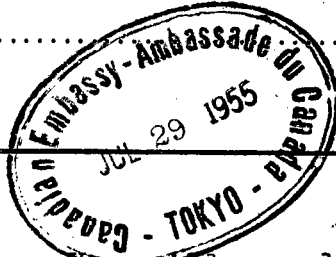
Air or Surface Mail: Air

Subject: Settlement of Advances of Korean
Currency to Canadian Forces.

Post File No: 340-0

Ottawa File No.

10818-A-40



References

D/M Finance
D/M National
Defence

You will recall our letter No. D-660 of May 4 to the Embassy in Washington on the subject of advances of currency to Canadian forces. Attached to the letter was a draft Note, which we suggested might serve as the basis for negotiating a settlement of these advances.

2. The negotiations have not yet been opened, partly because our Embassy in Washington had serious doubts as to the advisability of attempting to negotiate through the Korean Embassy in Washington and partly because the Department of Finance wished to investigate the possibility of offsetting the liability incurred by the ROK Government as a result of the purchase of surplus equipment and materiel from B.C.F.K. against part of the liability incurred by Canada in connection with advances of local currency to Canadian forces in Korea.

3. As regards the first point, the Embassy in Washington has commented as follows:

"We have reason to doubt that negotiations in the normal sense would be easy to conduct with the Korean Embassy here. In January, for example, after the matter had been under consideration for over a year, we approached the Korean Embassy here with a draft Note as a basis upon which an agreed commercial modus vivendi between Canada and the Republic of Korea might be negotiated (your letter E-1537 of Dec. 22, 1954). No word has been heard from the Korean Embassy on the subject since. We have had occasion in the last few months to mention this matter informally to State Department officials who are familiar with the personnel of the Korean Embassy. Without exception, these officials have said that the Korean Embassy is incapable of taking any action on its own and 'even in the matter of commas' has to clear everything with Seoul, a process which is by no means efficient or speedy. This suggests, therefore, that if you have an interest in obtaining a relatively speedy settlement of the currency drawings, Washington would not be the best place for negotiations.

Even if the speed of the negotiations is not a factor, there is another consideration which

NO. INIT.

AMBASSADOR

2 NEWTON
HALSTEAD
RETTIE
ROBERTSON
BERTRAND

Internal
Circulation

Far Eastern

Distribution
to Posts

London
Canberra
Washington

-2-

"you should be aware of. On any point of disagreement which might arise in the course of negotiations, it strikes us that the Canadian negotiators here would be hard pressed to make much useful impression on the Korean case since they will be dealing with officials who, it must be assumed, have very little influence on their government. This suggests that Canadian interests might best be served by as direct representations as possible to the seat of power, which we presume would be a Korean official as close to President Rhee as possible. It is to be borne in mind that, first, the United States agreement with the ROK on this subject and, secondly, the Commonwealth agreement, were each negotiated in Korea. Even these negotiations stretched over a considerable period."

4. On the second point, the Department of Finance has pointed out that part of the surplus equipment and materiel will be disposed of by the B.C.F.K. in Korea, probably for Korean hwan, and Canada will be entitled to a share of the proceeds. They have accordingly suggested:

"... amending the draft agreement in such a way as to provide that settlement could be made in both Canadian dollars and Korean hwan, instead of Canadian dollars only. However, the value of the equipment to be disposed of in Korea will, in all likelihood, exceed the drawings of Korean currency which we may make after December 31, 1954. The Agreement would therefore also have to be amended in such a way as to provide that the settlement will cover a period somewhat shorter than the period up to December 31, 1954, the length of the period depending on the value of the equipment which will be disposed of in Korea. At the moment, however, we have no idea of the value of the equipment which has been or will be disposed of in Korea."

5. We should be grateful for:

- (a) your views on the desirability of shifting the site of the eventual negotiations to Korea;
- (b) any information you may have on the value of the Commonwealth equipment and materiel which has been or is likely to be disposed of in Korea.

6. I might add for your information that on the matter of the rebate, the United States Government has neither waived the right to a 10% rebate provided for in its Agreement with the ROK Government nor has it ever refunded any sum to the ROK Government. Since the rates for hwan-dollar exchange have been established by auction since December, 1954, the principle of the 10% rebate has not been particularly relevant. However, in the terms of the Agreed Minute with the ROK Government, which made provision for the purchase of hwan by auction, the U.S. Government was careful to maintain its right to return to the U.S.-ROK Agreement of February 1953 at any time. Legally, therefore, the U.S. Government is still entitled to the 10% rebate provided for in the February 1953 Agreement. You will recall that the U.K.-ROK Agreement provided that if the U.S. had not waived

..... 3

TRANSMITTAL SLIP

TO: The Canadian Embassy

Tokyo, Japan

FROM: The Under-Secretary of State for

External Affairs, O.t.t.a.w.a.

The documents described below are for your information.

Despatching Authority... D.L.(1)/J.M..Teakles/elb.

Security... CONFIDENTIAL

Date... May 11, 1955

Air or Surface... Air

No. of enclosures... One

file RM 340-0

Copies	Description	Also referred to:
1	<p>Letter, with one enclosure, No. 660 of May 4, 1955 to Washington</p> <p>Re: Settlement of Advances of Korean Currency to Canadian Forces</p> <p><i>Canadian Embassy - Ambassade au Canada MAY 17 1955 - TOKYO - 229927</i></p>	<p>Tokyo London Canberra</p>

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

TO: THE CANADIAN EMBASSY.....

.....WASHINGTON, D.C.....

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference:.....

Subject: Settlement of Advances of Korean.....

.....Currency to Canadian Forces.....

Security:..CONFIDENTIAL.....

No:.....D. 660.....

Date:....May 4, 1955.....

Enclosures:.....

Air or Surface Mail:..Surface.....

Post File No:.....

Ottawa File No.

References

You will recall that the Agreement of September 28, 1954, between the Governments of the United Kingdom and of the Republic of Korea covering the settlement of Korean currency advanced to British Commonwealth Forces, Korea, provided in paragraph 8 that, with respect to local currency advanced to Canadian forces, the Republic of Korea would extend to Canada terms similar to those extended to the United Kingdom. As you know, it was our intention that the details should be worked out bilaterally in Washington between representatives of the Canadian and Korean Governments. The time now seems opportune to proceed with these negotiations.

Internal
Circulation

2. As a basis for the negotiations, I enclose a draft agreement in the form of an exchange of notes between yourself and the Korean Ambassador in Washington. You will note that paragraph 1 of the draft agreement provides that the lump-sum settlement will cover the period up to December 31, 1954. I also enclose a tabulation of Canadian drawings of Korean currency up to December 31, 1954. Table "A" gives the Korean currency drawings which the Korean Government has stated Canada has received from the United Nations funding officer, while Table "B" gives the Korean currency drawings which the Korean Government has not confirmed Canada has drawn. It will be necessary to have the amounts shown in the second table confirmed by the Korean authorities.

3. I should be grateful if you would initiate negotiations with the Embassy of the Republic of Korea on the basis of the attached documents and in the light of the comments on points of detail contained in this letter. It is not considered necessary to send officials from Ottawa for the purpose of these negotiations.

Background to the Problem

Provision of Korean currency for the use of Canadian forces serving under the United Nations Command in Korea was made under an agreement dated July 28, 1950, between the Governments of the United States and of the Republic of Korea. The Agreement provided:

- (a) that Korean currency would be advanced to a United Nations funding officer who would in turn make it available to the various forces as required.

Distribution
to Posts

Tokyo
London

- 2 -

- (b) that each government would settle directly with the Korean Government for currency advanced by the funding officer; and
- (c) that settlement for the currency advanced under the Agreement was to be deferred until such time as was mutually satisfactory to the governments concerned.

~~5.~~ In February 1953 the United States entered into an agreement with the Korean Government which provided for the settlement of advances to United States troops and for a method of paying for future advances on a current basis. The United States received a 10% rebate on past and future hwan drawings. At that time the Canadian Government considered the advisability of entering into a similar agreement with Korea. It was considered, however, that there might be other claims on both sides which would appear only after the cessation of hostilities, and that it would therefore be advisable to postpone negotiations until an overall settlement could be achieved.

~~6.~~ Canadian troops continued, therefore, to make use of the provisions of the July 1950 Agreement, notwithstanding that the United States forces were, after February 1953, paying on a current basis for drawings of Korean currency. On July 15, 1953, the Minister of the Republic of Korea handed to the Canadian Ambassador in Tokyo a request to the Canadian Government to negotiate an agreement similar to the one which the United States had signed in February of that year. A similar note was sent to the United Kingdom.

~~7.~~ After some hesitation the United Kingdom agreed to negotiate with the Korean Government. It invited the Canadian Government to associate itself with the other Commonwealth governments having forces in Korea in negotiating the agreement. We accepted the invitation. On September 28, 1954, an agreement, in the form of an exchange of notes, was signed. The United Kingdom negotiators could not secure a 10% rebate. They settled, subject to certain conditions, for a 5% rebate on past and future drawings. Paragraph 8 of the Agreement provided that:

"As to currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebate as in points (3) to (7) above."

Paragraph 9 of the Agreement provided that:

"The Government of the Republic of Korea agree to grant retrospectively and for the future to the Governments of the United Kingdom, Australia, New Zealand and Canada terms not less favourable than those which may be granted after May 31, 1954, to the Government of the United States in respect of the rate of exchange and the methods of obtaining Korean currency."

. . . 3

The Draft Agreement - paragraph 1

8. The draft differs from the United Kingdom Agreement which provided for a lump-sum payment of £1.8 million in part (about 75%) payment of the total liabilities of the Commonwealth governments concerned and for a further lump-sum payment to be made within one month of the date of signature of the Agreement. This provision was inserted because the exact amount of the total liability was unknown at the time the Agreement was signed. Furthermore, the immediate payment of £1.8 million was offered as an inducement to the Koreans to make some concessions with respect to the rate of exchange and the rebate.

9. We might have to follow this procedure if the exact amount of our liability cannot be estimated immediately or if some unforeseen difficulties arise in the course of the negotiations. Such difficulties could possibly arise,

- (a) if the Koreans wish to re-negotiate paragraph (1) of the United Kingdom Agreement. Paragraph (8) of the United Kingdom Agreement does not provide for similar terms being extended to Canada with respect to advances made prior to May 31, 1954;
- (b) if the Koreans are not satisfied with paragraph (1) of our draft. The United Kingdom Agreement provides that the liabilities shall be calculated for the period up to February 23, 1953, at the military conversion rate prevailing at the time the local currency was actually expended, and thereafter at the military conversion rate prevailing at the time the local currency was advanced. Calculation of our liabilities for the period up to May 31, 1954 at the military conversion rate prevailing at the time the local currency was actually expended would involve a considerable amount of work. On the other hand, the two rates may be treated as practically identical since the Canadian paymaster in Korea kept the amount of local currency on hand to a minimum. The military conversion rates for June-August 1954 (254 hwan to the dollar) and September-November 1954 (310 hwan to the dollar) are those which we understand were applied to advances made to the United States during these periods. In December 1954 the rate of exchange was set by auction. The rate chosen (520 hwan to the dollar) is the rate set at the last auction because the advance made by the Republic of Korea in December 1954 was made on December 31, 1954. There were three successful auctions in that month: the first at 420 to the dollar, the second at 522 and the third at 520.

10. It is not known definitely whether, in view of the more advantageous rate which they obtained for advances made after May 31, 1954, the United States waived for these advances the 10% rebate to which they are entitled under the terms of their Agreement with the Koreans. If they did waive it, the words "less a 5 percent rebate" would have to be deleted from the first part of paragraph (1), and inserted at the end of sub-paragraph (1)(a), so that the rebate would apply only to advances made prior to May 31, 1954. You should obtain confirmation from the United States authorities before submitting the draft to the Koreans.

11. There is also some doubt whether the United States returned their outstanding balances on the dates on which the hwan was devalued. If they did, it would seem that we could claim a similar adjustment under paragraph (9) of the United Kingdom-Korean Agreement. However, in view of the fact that the amount owed by Canada to the Republic of Korea has been outstanding for some time and that the Koreans might wish to charge interest on it, it is considered that it would be preferable not to raise this point unless the Koreans raise the question of interest.

12. The United Kingdom Agreement provided that the lump-sum settlement would be in respect to liabilities incurred up to May 31, 1954. Our draft provides that the Canadian lump-sum settlement will cover the period up to December 31, 1954, and will be paid within one month of the signature of the Agreement, on the assumption that the liabilities incurred by the Canadian forces in Korea between May 31, 1954 and December 31, 1954, are known. If they cannot be calculated, the payment may have to be split in two. A settlement covering this longer period also assumes that the United States and the United Kingdom have agreed with the Koreans on the conversion rates to be applied to liabilities incurred after May 31, 1954, and up to December 31, 1954.

13. Paragraph (3) of the United Kingdom Agreement provides, among other things, that "unless on or before December 13, 1954, the United States Government repay to the Government of Korea a sum equivalent to that allowed to the United States Government as a 10% rebate in respect of official expenditure under the terms of the settlement of hwan advances to the United States Forces in Korea, the Government of the Republic of Korea shall:

- (1) within one month of December 31, 1954, repay to the United Kingdom Government an amount equivalent to 5% of all past drawings made up to and including December 31, 1954, in respect of official expenditure by the United Kingdom, Australia and New Zealand components of the British Commonwealth Forces, Korea."

The United States Government has not, to our knowledge, repaid to the Government of the Republic of Korea the amount referred to in paragraph 3(1) of the United Kingdom Agreement. As our proposed lump-sum settlement covers the period up to December 31, 1954, the draft letter provides that the total amount of hwan owed by Canada to Korea will be equal to the total of hwan advanced less 5%. The facts will, however, have to be checked with the United States authorities.

The Draft Agreement - paragraph 2

14. This paragraph is substantially the same as paragraph (2) of the United Kingdom Agreement, but adapted to the Canadian situation. The institution of the auction system would seem to call for the suspension of paragraph (2) and the application of paragraph (7).

The Draft Agreement - paragraph 3

15. This paragraph is based on paragraph 3(ii) of the United Kingdom Agreement. Paragraph 3(i) of the United Kingdom Agreement is covered, as noted above, by paragraph (1)

- 5 -

CONFIDENTIAL

of our draft agreement. Paragraph (3), as drafted, assumes, as in the case of paragraph (1), that the United States Government has not agreed to waive the rebate with respect to advances up to December 31, 1954.

The Draft Agreement - paragraph 4

16. Paragraph (4) of the United Kingdom Agreement is inapplicable since, to our knowledge, the United States Government did not, before December 31, 1954, waive for the future the rebate allowed to it. Paragraph (5) of the United Kingdom Agreement therefore becomes paragraph (4) of the Canadian agreement.

17. A copy of the United Kingdom-Korean Agreement of September 28, 1954, was referred to you on October 26, 1954. I am therefore not enclosing a copy with this letter.

R. A. MACKAY

h Under-Secretary of State
for External Affairs

Draft Notes to be Exchanged Between the Canadian Ambassador
in Washington and the Ambassador of the Republic of Korea
in Washington

1. Note to the Korean Ambassador

I refer to the Agreement of September 28, 1954, between the Governments of the United Kingdom of Great Britain and Northern Ireland, and of the Commonwealth of Australia and of New Zealand and the Government of the Republic of Korea concerning the settlement by British Commonwealth Forces, Korea, of the advances in Korean currency made by the Government of the Republic of Korea from July 1950 under the Agreement between the Government of the Republic of Korea and of the United States of America of July 28, 1950, and the arrangements for the settlement of future advances made under that Agreement. Sub-paragraph (8) of the Agreement of September 20, 1954, provides that:

"As to the currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebates as in points (3) to (7) above."

I now have the honour to propose, on behalf of the Government of Canada, an agreement in the following terms based on the Agreement between the Governments of the United Kingdom and of the Republic of Korea, it being understood that wherever the expression "hwan" appears in this letter it includes the expression "won":

- (1) The Government of Canada will, within one month of the signature of this letter, pay, in Canadian dollars, to the Government of the Republic of Korea an amount equal to the liabilities of the Canadian Government in respect of hwan advanced by the Government of Korea up to December 31, 1954. The amount of these liabilities shall be equal to the amount, less a 5 percent rebate, of hwan advanced up to December 31, 1954, converted with respect to:
 - (a) advances made prior to May 31, 1954, at the military conversion rate prevailing at the time the local currency was advanced;
 - (b) advances made in June, July and August, 1954, at the rate of 254 hwan to the dollar;
 - (c) advances made in September, October and November, 1954, at the rate of 310 hwan to the dollar;
 - (d) advances made in December, 1954, at the rate of 520 hwan to the dollar.
- (2) Subject to the provisions of sub-paragraph (7) below, settlement for advances that are or were made after December 31, 1954, less any sum returned under Article 2 of the Agreement between the Government of the Republic of Korea and the United States of America of July 28, 1950, will be effected monthly in Canadian dollars at the military exchange rate (expressed in United States dollars) in force on the date or dates when

-2-

advances are or were made and further by applying the noon market rate (expressed in Canadian dollars) as reported by the Bank of Canada, for the United States dollar on the date of the advance. In the event of a devaluation of the hwan affecting hwan advanced, the Government of the Republic of Korea will allow six days grace from the date on which the Government of Canada is officially notified of the devaluation for the return of hwan balances under Article 2 of the aforesaid Agreement.

- (3) The Government of the Republic of Korea will allow the Canadian Government a rebate of 5 percent of advances made after December 31, 1954, in respect of expenditure by the Canadian component of the British Commonwealth Forces, Korea.
- (4) If after December 31, 1954, but on or before December 31, 1955, the United States Government repay to the Government of the Republic of Korea a sum equivalent to that allowed to the United States Government as a rebate, the Government of Canada will repay to the Government of the Republic of Korea a sum equivalent to the rebates provided for under sub-paragraphs (1) and (3) above.
- (5) Subject to the provisions of sub-paragraph (6) below, if at any time after December 31, 1955, the United States waive for the future the rebate allowed to them but without making any repayment in respect of the rebate in the past, the Government of Canada will do likewise.
- (6) After December 31, 1955, no retroactive adjustment will be made between the Government of the Republic of Korea and the Government of Canada in respect of any rebate allowed.
- (7) The Government of the Republic of Korea agree to grant retroactively and for the future to the Government of Canada terms not less favourable than those which have been granted at any time after May 31, 1954, to the Government of the United States in respect of the rate of exchange and methods of obtaining Korean currency.

If the foregoing proposal is acceptable to the Government of Korea, I have the honour to suggest that this note and Your Excellency's reply to that effect shall be regarded as constituting an agreement between the Government of Canada and the Government of the Republic of Korea which shall become effective on the date of Your Excellency's reply and shall remain in effect until such time as it is mutually agreed that the need therefore has ceased.

2. Note from the Korean Ambassador

I have the honour to acknowledge receipt of your note of today's date which reads as follows:

- 3 -

(Quote in Extenso)

In reply I have the honour to inform you that the above mentioned terms are acceptable to the Government of the Republic of Korea, and that they, therefore, agree with your proposal that your note and this reply should be regarded as constituting an agreement between the two Governments which is effective on the date of this letter and shall remain in effect until such time as it is mutually agreed that the need therefor has ceased.

TRANSMITTAL SLIP

TO: The Canadian Embassy,
Tokyo, Japan.

FROM: The Under-Secretary of State
for External Affairs

The documents described below are for your information.

Despatching Authority: D.L.(1)/J.M. Teakles/HF

Security.. **CONFIDENTIAL**

Date. **October 28, 1954**

Air or Surface

No. of enclosures

210-7-13
62-13?

Copy to:

Description

Also referred to:

NOV 5 1954

Letter dated October 26, 1954
to the Deputy Ministers of Finance
and National Defence.

Washington
London
Tokyo

File

NOV. 8. 1954

WR

Re: Settlement for Korean Currency
Drawn by British Commonwealth
Forces in Korea.

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

CONFIDENTIAL

Ottawa, October 26, 1954.

Our File: 10818-A-40

Deputy Minister of Finance,
O t t a w a.

Deputy Minister of National Defence,
O t t a w a.

Settlement for Korean Currency Drawn
by British Commonwealth Forces in Korea

I enclose a copy of the agreement concluded in Seoul on September 28, 1954 concerning repayment for Korean currency drawn by Commonwealth forces since 1950. This agreement was referred to in my letter of October 13.

2. I should be glad to know whether you agree with my suggestion that the details be worked out by Canadian and Korean representatives in Washington.

BENJAMIN ROGERS

FOR THE

Under-Secretary of State
for External Affairs

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN.

Reference: Our Telegram 195 of October 8, 1954

Subject: Repayment of Hwan Loans to
Canadian Forces in Korea.

CONFIDENTIAL

Security:

No: 1105

Date: October 18, 1954

Enclosures: Four (copies)

Air or Surface Mail: Air

Post File No: 210-7-13

Ottawa File No.

References

CIM FE

Internal
Circulation

Distribution
to Posts

We have now obtained copies of the exchange of notes which took place in Seoul on September 28 providing for repayment of hwan loans to Canadian Forces in Korea. You will see that the intent of this agreement is to make the terms on which the Commonwealth countries pay for their loans no more burdensome than those obtained by the United States.

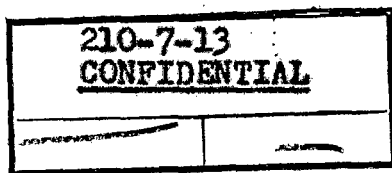
2. As stated in our telegram under reference, the British note attempts in paragraph (8) to protect the position of the Canadian Government with respect to repayment.

3. During his recent visit to Korea, Mr. Rogers was asked by the British Minister, Mr. Graham, whether the terms of this exchange of notes were satisfactory to the Canadian Government. We assume that consultations on this subject must have taken place either in Ottawa, or in Washington or in London. If they were carried on and if the agreement is satisfactory to you, we think that it would be useful from the point of view of relations with Mr. Graham, who does a great deal of work for us in Korea, if we could be authorized to convey to him the thanks of the Canadian Government. We should be grateful to hear from you on this point as soon as possible. We should also like to be brought into the picture on these negotiations by receiving copies of such correspondence as may be relevant. You will readily perceive that if this Embassy is to be brought in any way into the negotiations for a status of forces agreement in Korea, this is one of the subjects on which we should be well briefed.

4. We are sending a copy of this letter together with one enclosure to the Canadian Military Mission, Far East. In order to save copying, therefore, it would be appreciated if you would pass copies of this exchange to the Department of National Defence.

R. L. ROGERS

THE EMBASSY.



Tokyo, Japan,
October 18, 1954.

Dear Phelps,

Thank you very much for your letter FA 383/K/54, dated October 15, with which were enclosed copies of an exchange of Notes dated September 28 between your Minister in Seoul and the Korean Minister of Finance concerning the repayment of hwan loans advanced to BCFK.

Yours sincerely,

LOUIS ROGERS

R. L. Rogers,
First Secretary.

A.J. Phelps, Esq.,
British Embassy,
TOKYO, Japan.



BRITISH EMBASSY
TOKYO

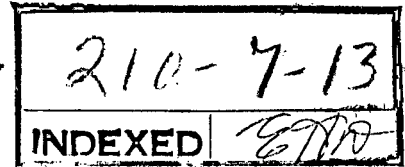
FA 383/K/54

CONFIDENTIAL

15th October, 1954



Mr. Rogers



Dear Rogers,

As promised at the beginning of this week, I enclose a copy of the Exchange of Letters which constitutes the Agreement concerning payment for Korean local currency advances by the R.O.K. Government to B.C.F.K.

2. As they will also be interested, I am sending copies of this letter and the enclosure to Arcus of the Australian Embassy and Paul of the New Zealand Legation.

Yours sincerely
Tony Phelps
(A. J. Phelps)

File
OCT. 18. 1954

LR.

R.L. Rogers, Esq.,
Canadian Embassy.

C O P Y

C O P Y

British Legation,
Seoul.

September 28, 1954.

Monsieur le Ministre,

I refer to the recent discussions concerning the settlement by British Commonwealth Forces, Korea, of the advances in Korean currency made by the Government of the Republic of Korea from July 1950, under the Agreement between the Governments of the Republic of Korea and of the United States of America of July 28, 1950, and about the arrangements for the settlement of future advances made under that Agreement.

I now have the honour to propose on behalf of Her Majesty's Governments in the United Kingdom of Great Britain and Northern Ireland, the Commonwealth of Australia and New Zealand, an agreement in the following terms:-

(1) The United Kingdom Government shall, immediately upon signature of this letter, make a lump-sum payment of £1.8 million sterling in part payment of the liabilities of the Australian and New Zealand Governments and of the liabilities of the United Kingdom Government in respect of hwan advanced by the Government of the Republic of Korea up to May 31, 1954, and within one calendar month of the date of this letter make a further lump-sum payment in sterling in respect of the balance of the liabilities for advances to the Australian and New Zealand Governments as well as in respect of the balance of the United Kingdom Government's own liability up to May 31, 1954. These liabilities shall be calculated:

(a) for the period up to February 23, 1953, at the military conversion rate prevailing at the time the local currency was actually expended;

and (b) thereafter at the military conversion rate prevailing at the time the local currency was advanced.

(2) Subject to the provisions of point (9) below, settlements for advances after May 31, 1954, less any sum returned under Article 2 of the Agreement between the Governments of the Republic of Korea and the United States of America of July 28, 1950, will be effected monthly in sterling at the military exchange rate in force on the date or dates when advances are made and the middle market rate in London for the United States dollar on the date of the advance. In the event of a devaluation of the hwan affecting hwan advanced, the Government of the Republic of Korea will allow six days' grace after devaluation for the return of hwan balances under Article 2 of the aforesaid Agreement. In the event of any changes being made in the spread within which the middle market rate can at present fluctuate (i.e. \$2.78 - \$2.82 to the £, as now officially recognised by the International Monetary Fund) or of any changes occurring in the United Kingdom Exchange Control Regulations which materially affect the Republic of Korea, the methods of calculation and payment for hwan advances after the effective date of the changes shall be reviewed.

(3) Unless on or before December 31, 1954, the United States Government repay to the Government of the Republic of Korea a sum equivalent to that allowed to the United States Government as a 10% rebate in respect of official expenditure under the terms of the settlement of hwan advances to the United States Forces in Korea, the Government of the Republic of Korea shall:-

(i) within one month of December 31, 1954, repay to the United Kingdom Government an amount equivalent to 5% of all past drawings made up to and including December 31, 1954, in respect of official expenditure by the United Kingdom, Australian and New Zealand components of the British Commonwealth Forces, Korea;

-2-

- (ii) subject to the provisions of point (4) below, allow the United Kingdom Government a rebate of 5% of drawings made after December 31, 1954, in respect of official expenditure by the United Kingdom, Australian and New Zealand components of the British Commonwealth Forces, Korea.

(4) If before December 31, 1954, the United States Government waive for the future the rebate allowed to them as aforesaid, but without making any repayment in respect of the rebate in the past, the United Kingdom Government shall also waive the rebate as from the date of effective waiver by the United States Government, and the Government of the Republic of Korea shall within one month of December 31, 1954, repay to the United Kingdom Government an amount equal to 5% of all drawings in respect of official expenditure by the United Kingdom, Australian and New Zealand components of the British Commonwealth Forces, Korea, up to and including the date of the waiver.

(5) If after December 31, 1954, but on or before December 31, 1955, the United States Government repay to the Government of the Republic of Korea a sum equivalent to that allowed to the United States Government as a rebate, the United Kingdom Government shall repay to the Government of the Republic of Korea:-

- (i) the sum repaid by the Government of the Republic of Korea under point (3)(i) above.

- (ii) the sum represented by any rebate allowed by the Government of the Republic of Korea under point (3)(ii) above.

(6) If at any time after that date the United States Government waive for the future the rebate allowed to them aforesaid, but without making any repayment in respect of the rebate in the past, the United Kingdom Government shall do likewise.

(7) After December 31, 1955, no retroactive adjustment will be made between the Government of the Republic of Korea and the United Kingdom Government in respect of:-

- (i) any rebate allowed;

- (ii) payment made in respect of a rebate by the Government of the Republic of Korea under point 3(i) and (ii) above.

(8) As to currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea will offer to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebate as in points (3) to (7) above.

(9) The Government of the Republic of Korea agree to grant retrospectively and for the future to the Governments of the United Kingdom, Australia, New Zealand and Canada terms not less favourable than those which may be granted after May 31, 1954, to the Government of the United States in respect of the rate of exchange and the methods of obtaining Korean currency.

2. If the foregoing proposal is acceptable to the Government of the Republic of Korea, I have the honour to suggest that the present note and Your Excellency's reply in that sense should be regarded as constituting an agreement between Her Majesty's Government in the United Kingdom, Australia and New Zealand on the one part and the Government of the Republic of Korea on the other part in this matter which shall enter into force immediately and shall remain in force until such time as it is mutually agreed that the need therefor has ceased.

I have the honour to be,
with the highest consideration,
Monsieur le Ministre,
Your Excellency's obedient Servant,
(W.G. GRAHAM)
Her Britannic Majesty's Minister.

000144

COPY

COPY

MINISTRY OF FINANCE
REPUBLIC OF KOREA

Seoul, Korea
28 September 1954

Sir,

I have the honour to acknowledge receipt of your note of today's date which reads as follows:-

(quote in extenso)

In reply I have the honour to inform you that the above-mentioned terms are also acceptable to the Government of the Republic of Korea, and that they therefore agree with your proposal that your note and this reply should be regarded as constituting the formal agreement between the two Governments in this matter which shall enter into force immediately and shall remain in force until such time as it is mutually agreed that the need therefor has ceased.

I have the honour to be, Sir,

Your obedient servant,

LEE, JOONG CHAI
Minister of Finance.

W.G. Graham, Esquire,
Her Britannic Majesty's Minister,
British Legation,
Seoul.

TRANSMITTAL SLIP

TO:..... e. Canadian Embassy,.....
.....Tokyo, Japan.....

FROM:..... The Under-Secretary of State.....
.....for External Affairs, Ottawa.....

The documents described below are for your information.

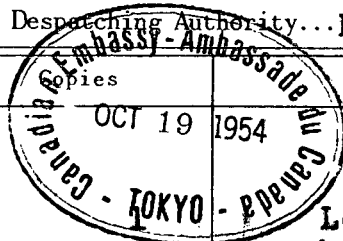
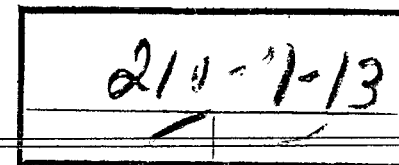
Despatching Authority...D.L.(1)/J.M. Teakles/HF.....

Security..CONFIDENTIAL.....

Date...October 14, 1954.....

Air or Surface.....

No. of enclosures..One.....



Description

Also referred to:

Letter dated October 13, 1954
to the Deputy Ministers of Finance
and National Defence

Re: Settlement for Korean
Currency Drawn by British
Commonwealth Forces in
Korea.

Washington
~~Tokyo~~

File

OCT. 19. 1954

LR.

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

CONFIDENTIAL

Ottawa, October 13, 1954.

Deputy Minister of Finance,
O t t a w a.

Deputy Minister of National Defence,
O t t a w a.

Settlement for Korean Currency Drawn by
British Commonwealth Forces in Korea

I enclose copies of Telegram No. 148 (Saving) of October 2 from the Commonwealth Relations Office in London, and Telegram No. 195 of October 8 from the Canadian Embassy in Tokyo, reporting the conclusion on September 28 of an agreement on settlement for Korean currency drawn by Commonwealth forces in Korea since 1950.

2. As soon as the final text of the agreement is received I shall send you a copy. I believe, however, that we would have been informed had there been any significant departure from the draft text in C.R.O. Telegram No. 757 of August 7, as amended by C.R.O. Telegrams No. 132 (Saving) of August 24 and No. 133 (Saving) of August 27, copies of which you have. You will recall that we agreed on August 13 to paragraph 8 of the draft, which provided that similar terms on the calculation of the liability and on the rebate would be offered to Canada. I would also remind you of our assurance to the United Kingdom authorities on April 20, 1954 that Canada would wish to make arrangements for the payment in Canadian currency of its debt to the Korean Government similar to the arrangements made by other Commonwealth Governments.

- 2 -

3. I assume that it will be necessary for the application of this Agreement to the Canadian debt (i.e. the calculation of the liability and the details of repayment) to be worked out bilaterally by Canadian and Korean representatives. This might perhaps be done in Washington, as was contemplated a year ago. I should be grateful if you would let me know whether you approve of this suggestion, so that the Canadian Ambassador in Washington may inform the Korean Ambassador accordingly.

(Sgd.) M.H. Wershof

for Under-Secretary of State
for External Affairs

COPY

CONFIDENTIAL

OUTWARD TELEGRAM FROM COMMONWEALTH RELATIONS OFFICE

TO: (1) U.K. HIGH COMMISSIONER IN CANADA (SAVING)
(2) U.K. HIGH COMMISSIONER IN AUSTRALIA
(3) U.K. HIGH COMMISSIONER IN NEW ZEALAND

(Sent 15.30 hours 2nd October 1954)
- - - - -

CYPHER

(1) No. 148 (SAVING))
(2) No. 887
(3) No. 564

CONFIDENTIAL

(To (1) My telegram No. 141 Saving.
(To (2) Your telegram No. 735.
(To (3) My telegram No. 546.

Addressed U.K. High Commissioners in Ottawa No. 148 Saving,
Canberra No. 887, Wellington No. 564.

KOREAN CURRENCY

Exchange of letters signed September 28th and £1.8 million paid following day. (To Canberra only) Financial Adviser informed of payment. (To all) We hope to pay balance due May 31st shortly.

2. Americans are still (see my telegram No. 752 of 24th August) refusing payments for advances made after May 31st. Although we are covered by point 9 of exchange of letters for advances made after that date against risk that Americans may obtain better rate than 180 hwan to dollar for their own post-May 31st advances, United Kingdom Minister Seoul is to ask Koreans if they would prefer, in view of point 9, United Kingdom monthly settlements for period after May 31st to wait until outcome of negotiations with Americans are known. If nevertheless Koreans wish us to make these monthly settlements in the meantime we propose to do so.

COPY

INCOMING MESSAGE

CONFIDENTIAL

FROM: THE CHARGE D'AFFAIRES, CANADIAN EMBASSY, TOKYO, JAPAN
TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

CYPHER

No. 195

October 8, 1954.

Learn that British Minister, Seoul, signed agreement with Korean Minister of Finance September 28 providing for repayment of Hwan loans to Commonwealth forces in Korea. Agreement provides that United Kingdom, Canada, Australia and New Zealand all get same terms for repayment and same discount, but provides only for actual payment by sterling-bloc countries.

2. Assume you are aware of this agreement from other sources, but will try secure copies from British as soon as available.

DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

INDICATE GREE OF PRIORITY		FOR MESSAGE CENTRE USE ONLY		MARK X TO IN SECURITY CLASSI	
		<p>FILE COPY</p> <p>10-1-13</p>		TOPSEC	
OPERATIONAL IMMEDIATE				SECRET	
PRIORITY				CONFID	
ROUTINE	X			RESTD	
IF NOT MARKED WILL BE TRANSMITTED DEFERRED		FROM		GR	
		DOMCAN, TOKYO			
		ACTION ADDRESSEE/S			
		EXTERNAL, OTTAWA			
INFORMATION ADDRESSEE/S					
Refer duplicate to CMMFE					

ORIGINATOR'S NO.

195

LEARN THAT BRITISH MINISTER SEOUL SIGNED AGREEMENT WITH KOREAN MINISTER OF FINANCE SEPTEMBER 28 PROVIDING FOR REPAYMENT OF HWAN LOANS TO COMMONWEALTH FORCES IN KOREA. AGREEMENT PROVIDES THAT UNITED KINGDOM, CANADA, AUSTRALIA AND NEW ZEALAND ALL GET SAME TERMS FOR REPAYMENT AND SAME DISCOUNT, BUT PROVIDES ONLY FOR ACTUAL PAYMENT BY STERLING-BLOC COUNTRIES.

2. ASSUME YOU ARE AWARE OF THIS AGREEMENT FROM OTHER SOURCES BUT WILL TRY SECURE COPIES FROM BRITISH AS SOON AS AVAILABLE.

BRITTON.

R.L. Rogers.

DESPATCHED
091900I Oct

ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
R.L.Rogers/rlr		October 8, 1954 Z	210-7-13

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN

Reference:
Subject: U.S. Drawings of Hwan

CONFIDENTIAL

Security:

No: 1084

Date: October 7, 1954.

Enclosures: None

Air or Surface Mail: Air
210-7

Post File No: 210-7-13

Ottawa File No.

References

Military
Reading File
BEFORE filing.
WR.
H
NOV. 9. 1954
LR.

We quote below the text of a Press Release issued by Headquarters, Far East Command, on September 30 but received only yesterday. It reads as follows:

The Minister of Finance of the Republic of Korea has notified this Headquarters that effective 1 October 1954 the Republic of Korea will make no further Hwan advances to United States Forces in the manner provided for in existing agreements between the Government of the Republic of Korea and the Government of the United States. As a consequence, the United States military commands in Korea find themselves without sufficient Hwan to pay their Korean employees and contractors.

2. In conversation with Mr. Lamb, the officer in the United States Embassy in Tokyo who is closely concerned with Korean affairs, we learned that the latest United States information is that there is still no sign that President Rhee will give in on either a new conversion rate for Hwan or agreeing to buy goods for the rehabilitation of Korea in Japan if Japan is the most economical producer. Mr. Lamb said that it was Mr. Briggs's view that the Koreans would ultimately give in on both these demands but that they would hold out as long as possible. We learned from reading a letter from Mr. Graham at the British Embassy yesterday that Mr. Graham thinks that President Rhee personally is the stumbling block on both these points and that neither the Korean Prime Minister nor Mr. Paik Tu-chin was prepared to risk dismissal by urging the President any more than they had already urged him.

R. L. ROGERS

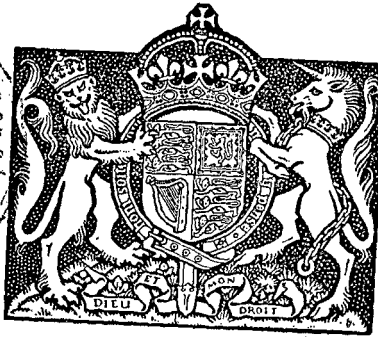
THE EMBASSY.

Internal
Circulation

Distribution
to Posts

340-0

KOREA



NO.

INIT.

AMBASSADOR

NEWTON *2m*

~~HALSTEAD~~

RETTIE *R*

ROBERTSON

BERTRAND

Treaty Series No. 16 (1955)

Japan
Pls file on
"BCFK"

Exchange of Notes

between the Governments of the
United Kingdom of Great Britain and Northern Ireland,
the Commonwealth of Australia and New Zealand of the
one part and the Korean Government of the other part
constituting an Agreement for Settlement
of Advances in Korean Currency made to
the British Commonwealth Forces, Korea

Seoul, September 28, 1954

*Presented by the Secretary of State for Foreign Affairs to Parliament
by Command of Her Majesty
February 1955*

LONDON

HER MAJESTY'S STATIONERY OFFICE

THREEPENCE NET.

Cmd. 9393

000154

**EXCHANGE OF NOTES BETWEEN THE GOVERNMENTS OF THE
UNITED KINGDOM OF GREAT BRITAIN AND NORTHERN
IRELAND, THE COMMONWEALTH OF AUSTRALIA AND
NEW ZEALAND OF THE ONE PART AND THE KOREAN
GOVERNMENT OF THE OTHER PART CONSTITUTING AN
AGREEMENT FOR SETTLEMENT OF ADVANCES IN KOREAN
CURRENCY MADE TO THE BRITISH COMMONWEALTH
FORCES, KOREA**

Seoul, September 28, 1954

No. 1

Her Majesty's Minister at Seoul to the Korean Minister of Finance

British Legation,

Seoul, September 28, 1954.

Monsieur le Ministre,

I refer to the recent discussions concerning the settlement by British Commonwealth Forces, Korea, of the advances in Korean currency made by the Government of the Republic of Korea from July 1950, under the Agreement between the Governments of the Republic of Korea and of the United States of America of July 28, 1950, and about the arrangements for the settlement of future advances made under that Agreement.

I now have the honour to propose on behalf of Her Majesty's Governments in the United Kingdom of Great Britain and Northern Ireland, the Commonwealth of Australia and New Zealand, an agreement in the following terms:—

- (1) The United Kingdom Government shall, immediately upon signature of this letter, make a lump-sum payment of £1.8 million sterling in part payment of the liabilities of the Australian and New Zealand Governments and of the liabilities of the United Kingdom Government in respect of hwan advanced by the Government of the Republic of Korea up to May 31, 1954, and within one calendar month of the date of this letter make a further lump-sum payment in sterling in respect of the balance of the liabilities for advances to the Australian and New Zealand Governments as well as in respect of the balance of the United Kingdom Government's own liability up to May 31, 1954. These liabilities shall be calculated—
 - (a) for the period up to February 23, 1953, at the military conversion rate prevailing at the time the local currency was actually expended; and
 - (b) thereafter at the military conversion rate prevailing at the time the local currency was advanced.
- (2) Subject to the provisions of point (9) below, settlements for advances after May 31, 1954, less any sum returned under Article 2 of the Agreement between the Governments of the Republic of Korea and the United States of America of July 28, 1950, will be effected monthly in sterling at the military exchange rate in force on the date or dates when advances are made and the middle market rate in London for the United States dollar on the date of the advance. In the event of a devaluation of the hwan affecting hwan advanced, the Government of the Republic of Korea will allow six days' grace after devaluation for the return of hwan balances under Article 2 of the aforesaid Agreement. In the event of any changes being made in the spread within which

- the middle market rate can at present fluctuate (i.e., \$2.78-\$2.82 to £, as now officially recognised by the International Monetary Fund⁽¹⁾) or of any changes occurring in the United Kingdom Exchange Control Regulations which materially affect the Republic of Korea, the methods of calculation and payment for hwan advances after the effective date of the changes shall be reviewed.
- (3) Unless on or before December 31, 1954, the United States Government repay to the Government of the Republic of Korea a sum equivalent to that allowed to the United States Government as a 10 per cent. rebate in respect of official expenditure under the terms of the settlement of hwan advances to the United States Forces in Korea, the Government of the Republic of Korea shall—
- ~~(i)~~ within one month of December 31, 1954, repay to the United Kingdom Government an amount equivalent to 5 per cent. of all past drawings made up to and including December 31, 1954, in respect of official expenditure by the United Kingdom, Australian and New Zealand components of the British Commonwealth Forces, Korea;
- (ii) subject to the provisions of point (4) below, allow the United Kingdom Government a rebate of 5 per cent. of drawings made after December 31, 1954, in respect of official expenditure by the United Kingdom, Australian and New Zealand components of the British Commonwealth Forces, Korea.
- (4) If before December 31, 1954, the United States Government waive for the future the rebate allowed to them as aforesaid, but without making any repayment in respect of the rebate in the past, the United Kingdom Government shall also waive the rebate as from the date of effective waiver by the United States Government, and the Government of the Republic of Korea shall within one month of December 31, 1954, repay to the United Kingdom Government an amount equal to 5 per cent. of all drawings in respect of official expenditure by the United Kingdom, Australian and New Zealand components of the British Commonwealth Forces, Korea, up to and including the date of the waiver.
- (5) If after December 31, 1954, but on or before December 31, 1955, the United States Government repay to the Government of the Republic of Korea a sum equivalent to that allowed to the United States Government as a rebate, the United Kingdom Government shall repay to the Government of the Republic of Korea:
- (i) the sum repaid by the Government of the Republic of Korea under point (3) (i) above;
- (ii) the sum represented by any rebate allowed by the Government of the Republic of Korea under point 3 (ii) above.
- (6) If at any time after that date the United States Government waive for the future the rebate allowed to them aforesaid, but without making any repayment in respect of the rebate in the past, the United Kingdom Government shall do likewise.
- (7) After December 31, 1955, no retroactive adjustment will be made between the Government of the Republic of Korea and the United Kingdom Government in respect of—
- (i) any rebate allowed;
- (ii) payment made in respect of a rebate by the Government of the Republic of Korea under point (3) (i) and (ii) above.

(1) "Treaty Series No. 21 (1946)," Cmd. 6885.

- (8) As to currency advances made to the Canadian Armed Forces, it is understood that the Government of the Republic of Korea ~~will~~ enter to the Government of Canada similar terms on the calculation of the liability as in point (2) above and similar terms on the rebate as in points (3) to (7) above.
- (9) The Government of the Republic of Korea agree to grant retrospectively and for the future to the Governments of the United Kingdom, Australia, New Zealand and Canada terms not less favourable than those which may be granted after May 31, 1954, to the Government of the United States in respect of the rate of exchange and the methods of obtaining Korean currency.

2. If the foregoing proposal is acceptable to the Government of the Republic of Korea, I have the honour to suggest that the present Note and your Excellency's reply in that sense should be regarded as constituting an agreement between Her Majesty's Governments in the United Kingdom, Australia and New Zealand on the one part and the Government of the Republic of Korea on the other part in this matter which shall enter into force immediately and shall remain in force until such time as it is mutually agreed that the need therefor has ceased.

I have, &c.

W. G. GRAHAM.

No. 2

The Korean Minister of Finance to Her Majesty's Minister at Seoul

Seoul, Korea,

28 September, 1954.

Sir,

I have the honour to acknowledge receipt of your Note of to-day's date which reads as follows:—

[As in No. 1.]

In reply I have the honour to inform you that the above-mentioned terms are also acceptable to the Government of the Republic of Korea, and that they therefore agree with your proposal that your Note and this reply should be regarded as constituting the formal agreement between the two Governments in this matter which shall enter into force immediately and shall remain in force until such time as it is mutually agreed that the need therefor has ceased.

I have, &c.

LEE, JOONG CHAI.

Mr. Bruce
R. L. K. K.
R. L. K. K.
TRANSMITTAL SLIP

TO: **DIAN EMBASSY, TOKYO, JAPAN**

Security **CONFIDENTIAL**

Date **June 10, 1954.**

FROM: **Acting Under-Secretary of State**
for External Affairs.


Air or Surface **Air**

No. of enclosures **1**

The documents described below are for your information.

210-7-13

Despatching Authority **D.L.(1) G.F. Bruce/eba**

Copies	Description	Also referred to:
1	Telegram No. 72 of May 31, 1954, from Commonwealth Relations Office, re Korean Currency. 	Tokyo London Washington

000158

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice-versa.
2. This form should NOT be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

CONFIDENTIAL

OUTWARD TELEGRAM FROM COMMONWEALTH RELATIONS OFFICE

TO: U.K. HIGH COMMISSIONER IN CANADA
U.K. HIGH COMMISSIONER IN AUSTRALIA
U.K. HIGH COMMISSIONER IN NEW ZEALAND

RPTD: H.M. AMBASSADOR WASHINGTON)
H.M. AMBASSADOR TOKYO) (SAVING) (VIA FOREIGN
H.M. MINISTER SEOUL) OFFICE)

(Dated 31st May, 1954)

No. 72)
No. 88) SAVING CONFIDENTIAL
No. 35)



Addressed U.K. High Commissioners in Ottawa No. 72 Saving, Canberra No. 88 Saving, Wellington No. 35 Saving repeated Saving to H.M. Ambassador Washington, H. M. Ambassador Tokyo and H.M. Minister Seoul.

My telegram of 10th April to Ottawa No. 302.
to Canberra No. 270.
to Wellington No. 137.

KOREAN CURRENCY

U.K. Minister Seoul spoke to President Rhee on 14th April on lines of his instructions described in paragraph 3 of my telegram under reference. President said he saw no objection to settlement of debt in sterling provided that Korea could buy with it what she needs and gave assurance that there was no question of a threat to discontinue advances.

2. Since then we have been in consultation with Mr. Phelps about our next step. It seems clear that the South Koreans attach great importance to avoiding giving us a rebate. They have approached United States Government for repayment of the rebate which the latter obtained in their settlement. For our part failure to obtain on this comparable treatment with that got by Americans (which would mean a rebate of perhaps 5% or 3%) might well prejudice our ability to get for B.C.F.K. similar treatment to that got by Americans for instance in proposed status of forces agreement with the Koreans.

3. Mr. Phelps has now been instructed to inform South Korean Minister of Finance that we want parity of treatment with the Americans on the rebate and that if the South Koreans agree to this in principle (but with the rebate at 5% or 3% and not at 10%) we will make an immediate downpayment of £1.8 million in sterling on the basis that if the Americans forego the rebate altogether we will pay the balance of our debt without rebate; if on the other hand the Americans do not forego it, or do so only from a current date, we will pay the balance less the agreed percentage.

4. We do not know what decision Americans will reach on their rebate and understand that a decision is unlikely to be taken for another month or so.

5. We are prepared to offer a sterling downpayment of £1,800,000 rather than the £1,500,000 previously mentioned, since we learn


/from

- 2 -

from Tokyo that total B.C.F.K. indebtedness up to date, calculated at exchange rates in line with the American settlement is more than this larger figure even after 5% reduction has been applied, which represents maximum rebate we could hope to obtain. The larger the downpayment, the more attractive it may be to the Koreans and the less the amount to be fought over. If the Koreans accepted a downpayment in sterling we should expect them thereby to agree that further trade and hwan settlements should also be in sterling.

6. Please inform Commonwealth authorities.

TRANSMITTAL SLIP

TO: an Embassy, Tokyo, Japan.

Security... **CONFIDENTIAL**

Date... **May 12, 1954.**

FROM: Acting Under-Secretary of State for
External Affairs.


Air or Surface... **Air**

No. of enclosures... **1**

The documents described below are for your information.

Despatching Authority... **D.L.(1) G.F. Bruce/eba**

210-7-3

Copies	Description	Also referred to:
<p>1</p> <p><i>MAY 19 1954</i> <i>W. L. Little</i> <i>W. L. Little</i></p>	<p>Letter of May 11, 1954, to the High Commissioner for the United Kingdom, Ottawa, re settlement of Commonwealth debt to Korea</p> <p></p>	<p>Tokyo London</p>

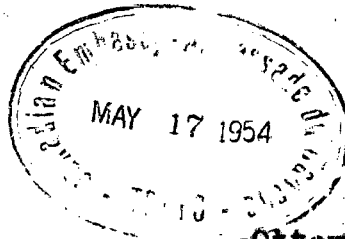
000162

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

CONFIDENTIAL

Our File: 10818-A-40



Ottawa, May 11, 1954.

Dear Mr. Reddaway:

With reference to our letter of March 9, 1954, and your reply of March 12, 1954, I should like to inform you that our Embassy in Washington has received a letter from the Korean Embassy in Washington stating that the Government of the Republic of Korea have no objection to Canada withdrawing from the proposed bilateral negotiations and associating itself with the United Kingdom, Australia and New Zealand in the negotiations concerning the settlement of their debts to Korea.

Yours sincerely,

W. A. BEAULIEU

for the Acting Under-Secretary of State
for External Affairs.

G. F. N. Reddaway, Esq.,
Official Secretary,
Office of the High Commissioner
for the United Kingdom,
O t t a w a.

Y. M. P. H. H. E. L. L. a file
TRANSMITTAL SLIP

TO: *Embassy, Tokyo, Japan.*

Security.....**CONFIDENTIAL**

Date.....**May 11, 1954.**


FROM: **Acting Under-Secretary of State for
External Affairs.**

Air or Surface.....**Air**

No. of enclosures.....**2**

The documents described below are for your information.

Despatching Authority.....**D.L.(1) G. F. Bruce/eba**

Copies	Description	Also referred to:
1	Letter No. 785 of May 6, 1954, from Canadian Embassy Washington together with enclosure, re settlement of advances of Korean currency. 	xx Tokyo London

000165

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, WASHINGTON, D.C.

Reference: Your teletype EX-377 of March 10.

Subject: Settlement of Advances of Korean
Currency.

Security: **CONFIDENTIAL**

No: 785

Date: May 6, 1954

Enclosures: 3

Air or Surface Mail:

Post File No:

Ottawa File No.

10818-A-40

MAY 14 1954

References

Enclosed are three copies of a letter dated April 21 from the Korean Ambassador, which states that the Korean Government has no objection to the Canadian Government's associating itself with the United Kingdom, Australian and New Zealand Governments in the negotiations for repayment of Korean currency.

(Sgd.) P.G.R. Campbell
for the Embassy.

C
O
P
Y

Internal
Circulation

Distribution
to Posts

KOREAN EMBASSY

Washington, D.C.

April 21, 1954.

Dear Mr. Glazebrook,

I have the honour to refer to my note to you on March 22, 1954.

I have now received word from my Government, and have been advised that there is no objection to the Canadian Government's associating itself with the United Kingdom, Australia, and New Zealand Governments regarding repayment of Korean currency.

I have the great privilege to designate Mr. Pyo Wook Han, Counsellor of my Embassy, to meet with you and discuss this matter for the purpose of fulfilling in all particulars the desires of our respective governments.

The reason for my designating Mr. Han is that I shall be, at the behest of my Government, an emissary at the forthcoming Geneva Conference.

Sincerely yours,

(Signed)

You Chan Yang

The Honorable
Minister G. P. deT. Glazebrook,
Canadian Embassy,
1746 Massachusetts Avenue, NW.,
Washington 6, D.C.

- COPY -

Antony
Mr. Lethbridge
and file
TRANSMITTAL SLIP

TO: *1* Canadian Embassy, *and file*

Tokyo Japan

FROM: The Acting Under-Secretary of State for
External Affairs, Ottawa.

The documents described below are for your information.

Despatching Authority. D.L.(1)/G.F. Bruce/ejk

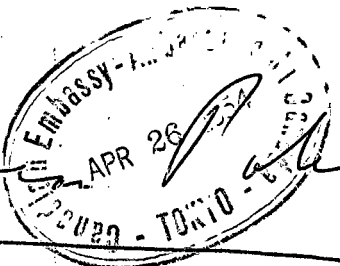
Security... **CONFIDENTIAL**

Date... **April 20, 1954**

Air or Surface... **Air**

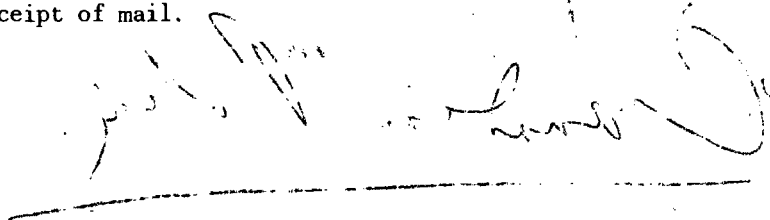
No. of enclosures... **1**

210-7-3

Copies	Description	Also referred to:
1	Letter of April 20, 1954 to G.F.N. Reddaway, Office of the U.K. High Commissioner, Ottawa. Re: Korean Currency <i>Cand</i> 	Washington Tokyo

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

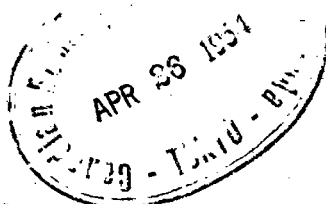


A handwritten signature in dark ink, appearing to be "John A. ...", is written over a horizontal line. The signature is cursive and somewhat stylized.

Defence Liaison (1)/G.F. Bruce-elb

Refer: D/M Finance
D/M Nat.Def.
Washington
Tokyo
Far Eastern Div.
Economic Div.

CONFIDENTIAL



Ottawa, April 23, 1954

Dear Mr. Reddaway,

Korean Currency

With reference to your telephone conversation with Mr. Rogers last Wednesday, April 14, I wish to confirm that the Canadian Government concurs in the proposed course of action outlined in C.R.O. telegram No. 302 of April 10 which you enclosed with your letter of April 12, 1954. That is, it would be prepared to accept the most favourable conversion rate and whatever part of the 10% reduction the United Kingdom representative is able to obtain from the Korean authorities. Secondly, if the United Kingdom and Australia arrange to pay 75% of their debt in return for an agreement by the Korean Government to accept the total repayment in sterling, Canada, at the same time, would also wish to pay in Canadian currency 75% of its debt, and the balance at a time when the final conditions of repayment had been worked out, and full payment is made by the governments concerned.

May I thank you again for keeping us informed of the progress of these negotiations.

Yours sincerely,
BENJAMIN ROGERS

for Acting Under-Secretary of State
for External Affairs

G. P. N. Reddaway, Esquire, M.B.E.,
Office of the High Commissioner for the United Kingdom,
Earscliffe, Ottawa.

TRANSMITTAL SLIP

TO: ~~CONFIDENTIAL~~ EMBASSY, TOKYO, JAPAN.

Security. **CONFIDENTIAL**

Date. **April 12, 1954**

FROM: **Acting Under-Secretary of State for**
External Affairs.

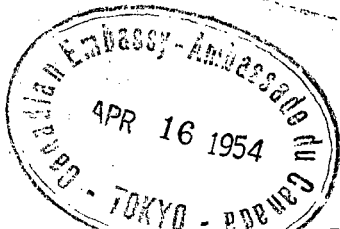
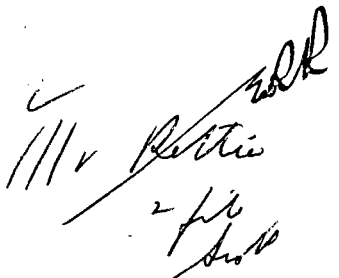
Air or Surface. **AIR BAG**

No. of enclosures. **1**

The documents described below are for your information.

Despatching Authority... **D.L.(1) G.F. Bruce/eba**

210-7-3

Copies	Description	Also referred to:
1	Copy of Telegram No. 302 of April 10, 1954, from The Secretary of State for Commonwealth Relations, London, to The High Commissioner for the United Kingdom, Ottawa, re Korean currency. 	Washington Tokyo 

000172

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

T E L E G R A M

FROM: THE SECRETARY OF STATE FOR COMMONWEALTH RELATIONS, LONDON.
TO: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, OTTAWA.

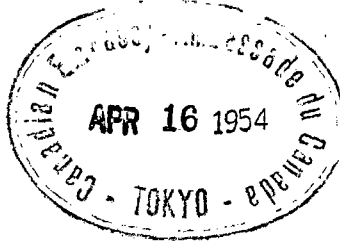
SENT 3.06 p.m. 10th April, 1954

RECD 12.45 p.m. 10th April, 1954

P R I O R I T Y

CYPHER - SIMPLEX

NO. 3 0 2



C O N F I D E N T I A L

Addressed Ottawa No. 302, Canberra No. 270, Wellington
No. 137, repeated Washington, Tokyo, Seoul.

My Saving telegram of 3rd April, No. 42 to Ottawa.

KOREAN CURRENCY

1. Koreans have argued strongly against any 10% reduction in B.C.F.K. settlement, and have insisted that exchange rates they are applying in their demand against B.C.F.K. are virtually the same as those applied in United States settlement. Moreover, they have said that under no circumstances would they forego payment of dollars for past debt, though they might be prepared to consider sterling payments for future drawings.

2. Minister of Finance has threatened to cut off hwan advances unless B.C.F.K. shortly settles past debt in United States dollars. United Kingdom Minister in Seoul thinks we should take this threat seriously.

3. We have instructed United Kingdom Minister in Seoul to protest at this threat when he interviews Korean President next week, and to say that it would be difficult for negotiations to continue under a threat of this kind. We have also asked him to enquire into possibility of B.C.F.K. obtaining the hwan requirements by other means in case Koreans should fulfil their threat.

4. We should welcome urgent Commonwealth views on the following course of action, which is based on assumption that threat will be withdrawn -

(a) 10% reduction and exchange rates

We have not yet obtained all the information we require

- 2 -

completing our case for obtaining these reductions. We still hope to obtain a settlement on the basis of rates of exchange more favourable than those on which Korean Bill was compiled. We hope to be able to effect some reduction on this score in course of negotiations, but such information as we have so far been able to obtain about United States settlement suggests that this will not be very large. We still hope also to obtain some concession on lines of American 10% concessionary reduction; for we consider that Koreans should make some recognition of fact that all this expenditure on our part was incurred in saving them from aggression. We understand indeed that this aspect was taken into account in American case. Actual percentage, however, will almost certainly be less, perhaps much less, than the full 10% because Koreans will certainly argue strongly that the latter would only be justified if we could show that we had done as much for them in way of economic aid as Americans. We should be grateful for commonwealth authority to settle at negotiators' discretion for the best terms we can obtain on these points. Amounts at stage are small.

(b) Since negotiations of points under (a) above may take some time we would propose to offer Koreans a down payment £1-1/2 million in sterling (representing some 75% of B.C.F.K. indebtedness up to date) on condition that they agree that sterling shall be currency for both past and future currency settlements and for general trade and payments with the Sterling Area. This down payment would be in respect of claims made against both United Kingdom and Australia. We should be glad of Commonwealth authority for this offer.

5. General terms of settlement will affect Canada though not question of currency nor the down payment.

6. If Koreans refuse this offer at 4 (b) and revert to their demand for United States dollars we should propose to explain to them that consequence of our payment of dollars would be that we should be obliged to put them into Dollar Account Area with all that this implies.

....000175

- 3 -

7. We should be reluctant to do this as we should prefer to expand use of sterling in Far East, but Sterling Area's immediate material interests would suffer little harm and would probably get some benefit since the Koreans are likely to continue running a current deficit with Sterling Area which would ^{thus} earn dollars net.

8. Above represents official views which are subject to ministerial authority here. In view of approach of Easter this is being sought at once, but Ministers will be advised that proposals are subject to Commonwealth Governments' replies on paragraphs 4 (a) and (b) above. We should like to send further instructions to Seoul before Easter, and would therefore be glad of Commonwealth comments before then, if at all possible, although we recognise difficulties of this timing. Interim information in my saving telegram under reference is not essential to consideration of questions now at issue.

E.T. 10. 4. 54

COPY

TRANSMITTAL SLIP

TO: Canadian Embassy, Tokyo, Japan.

Security **CONFIDENTIAL**

Date **April 9, 1954.**

FROM: **Acting Under-Secretary of State for
External Affairs.**


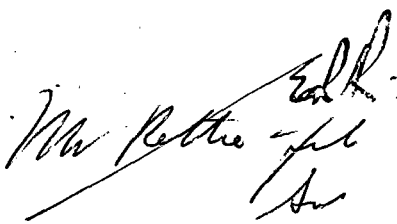
Air or Surface **Air**

No. of enclosures **1**

The documents described below are for your information.

Despatching Authority **D.L.(1) G.F. Bruce/eba**

210-7-3

Copies	Description	Also referred to:
1	<p>Telegram of April 3, 1954, from Commonwealth Relations Office to U.K. High Commissioner in Canada, re Korean Currency.</p> 	<p>Washington Tokyo</p> 

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

COPY

C O N F I D E N T I A L

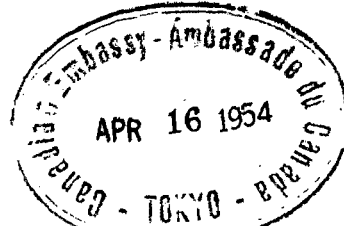
OUTWARD TELEGRAM FROM COMMONWEALTH RELATIONS OFFICE

TO: U.K. HIGH COMMISSIONER IN CANADA
U.K. HIGH COMMISSIONER IN AUSTRALIA
U.K. HIGH COMMISSIONER IN NEW ZEALAND

RPTD: H.M. AMBASSADOR WASHINGTON)
H.M. AMBASSADOR TOKYO) (VIA FOREIGN OFFICE)
H.M. MINISTER SEOUL)

(Dated 3rd April 1954)

No. 42)
No. 60) SAVING CONFIDENTIAL
No. 20)



Addressed U.K. High Commissioners in Ottawa No. 42 Saving, Canberra No. 60 Saving and Wellington No. 20 Saving, repeated Saving to H.M. Ambassadors Washington and Tokyo and H.M. Minister Seoul.

My telegram No. 131 of 25th February to Canberra.

KOREAN CURRENCY

1. Phelps has now had preliminary discussions with the Korean authorities. As will be seen from the attached telegrams (Nos. 61 and 62) from Seoul the Koreans expressed willingness to consider a sterling basis for their future trade with the Sterling Area but stuck to their demand for payment in dollars of B.C.F.K. debt for local currency drawings. Little progress was made on the other points discussed.
2. After consideration of the position reached we are instructing Phelps to return to the charge on the currency of settlement. He will argue that the currency of settlement cannot be divorced from the payments basis established for the future and will propose that there should be an informal arrangement whereby all payments between Korea and the Sterling Area should in future be in Sterling provided that the Koreans abandon their demand for settlement of the existing debt in dollars.
3. As regards the bill itself we are still in communication with Washington on the details of the United States settlement. It has now become clear that the 10% reduction which the Americans obtained when settling their bill reflected not only the cost of concrete services to the Korean civilian economy but an acknowledgement of the principle that the Koreans should contribute to the cost of saving them from aggression. We attach importance to B.C.F.K. receiving a similar tangible acknowledgement, and this is a further matter which Phelps will pursue.
4. There is thus little progress to report to the Commonwealth Governments concerned, and the stage has not yet been reached when definite proposals for a settlement can be put to them. They may, however, like to know how matters now stand, and you could give to them the substance of the above information.

MR. RETTIE TO SEE FILE COPY AND RETURN
DEPARTMENT OF EXTERNAL AFFAIRS, CANADA. (FILE COPY)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN

Reference:.....

Subject: Korea - Repayment of Hwan Advances

Security: UNCLASSIFIED
Korea 172
No:.....
Date: April 6, 1954.
Enclosures: None
Air or Surface Mail: Air
Post File No: 210-7-3

Ottawa File No.

References

Kyong Hyang Sinmun said on March 24 (according to an UNKRA translator):

"Mr. Phelps, representative of the British Exchequer, came to Korea to settle the hwan advance account which amounts to \$1,600,000. He visited Mr. Pak, Minister of Finance. According to a Government source yesterday, however, their talk came to a standstill because of disagreement about the method of settlement. The main points are:

"The ROK Government wants to have the hwan advance paid back with unrestricted pounds at the present dollar-hwan exchange rate at one time. But Britain wishes to pay gradually in kind rather than with cash and to pay part of it with restricted pounds (which are good only within the sterling area) where cash payment is necessary."

2. Mr. Phelps is First Secretary (Financial) in the British Embassy in Tokyo. He went to Korea about March 14, prepared if necessary to stay as long as two months. The British Embassy in Tokyo has no financial secretary.

Internal
Circulation

MR. RETTIE

S. Morley Scott
S. Morley Scott.

Distribution
to Posts

TRANSMITTAL SLIP

TO: Canadian Embassy, Tokyo, Japan.

Security.....CONFIDENTIAL

Date.....March 12, 1954.

FROM: Acting Under-Secretary of State for
External Affairs.

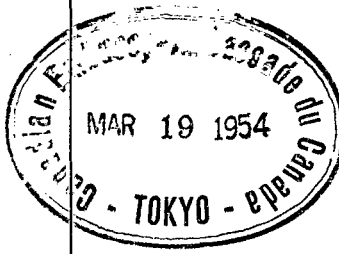
Air or Surface.....Air

No. of enclosures.....1

The documents described below are for your information.

Despatching Authority.....D.L.(1) G. F. Bruce/eba

210-7-3

Copies	Description	Also referred to:
1	Copy of Telegram EX-377 of March 10, 1954, to Head of Post, Washington, re settlement of Advances of Korean currency. 	Tokyo London.

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

Security **CONFIDENTIAL**

MESSAGE FORM
OUTGOING

File No.	
10818-A-40	

FROM: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

TO: **HEAD OF POST,**
WASHINGTON, D.C., U.S.A.

AR 19 1954

TOKYO - 2282

Message To Be Sent	No. EX-377	Date March 8, 1954.	For Communications Section Only
--------------------	-------------------	----------------------------	---------------------------------

AIR CYPHER
EN CLAIR
CODE
CYPHER

Priority
.....

ORIGINATOR
.....
(Signature)
G. F. Bruce/sba
.....
(Name Typed)
Div. **D.L.(1)**
Local Tel. **6205**

APPROVED BY
R. A. MACKAY
.....
(Signature)
.....
(Name Typed)

Internal Distribution:
S.S.E.A. - U.S.S.E.A.
**Far Eastern
Economic**

Done.....
Date.....

Copies Referred To:
D/M of Finance (2)
Att'n: A.B. Hockin
D/M of Nat. Def.(2)
Toyko
London

Done.....
Date.....
Ext. 97 (Rev. 1/52)

REFERENCE: **Your Telegram WA-338 of March 1, 1954.**

SUBJECT: **Settlement of Advances of Korean Currency**

Last week we received from the United Kingdom High Commissioner an invitation for the Canadian Government to join the United Kingdom, New Zealand and Australian Governments in negotiations along the lines you suggested in your telegram under reference.

Apparently the British wish to settle the issue of conversion rates before proceeding with negotiations for the repayment of their debt to the R.O.K.: like us, they are not satisfied with the official conversion rates submitted by the Koreans in their requests for repayment. As you may be aware, therefore, the United Kingdom Ambassador in Washington is attempting to obtain information on this matter from the United States Government. The United Kingdom Treasury representative in the Far East is also exploring this problem in Korea.

2. We have learned informally and confidentially that Australia and New Zealand have agreed to have the United Kingdom Treasury Officer act on their behalf in the proposed negotiations. It is our intention to join the United Kingdom, Australia and New Zealand in this matter, and we assume that this arrangement will be satisfactory to the R.O.K. We should be grateful,

- 2 -

therefore, if you would inform the Korean Embassy in Washington that, if the Korean Government has no objections, the Canadian Government would like to associate itself with the United Kingdom, Australia and New Zealand in negotiations with the Korean Government instead of proceeding with the proposed bilateral negotiations. You might wish to assure the Korean Embassy that it is still our intention to repay our entire debt in our own currency.

3. It is hoped that this change in the arrangements for settling our debt to the R.O.K. will not cause any great inconvenience or difficulty.

Secretary of State
for External Affairs.

TRANSMITTAL SLIP

TO: Canadian Embassy, Tokyo, Japan.

Security... **CONFIDENTIAL**

Date... **March 11, 1954.**

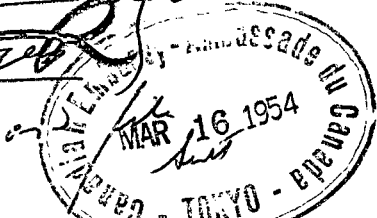
FROM: **Acting Under-Secretary of State for
External Affairs.**

Air or Surface... **Air.**

No. of enclosures... **1**

The documents described below are for your information.

Despatching Authority... **D.L.(1) G. F. Bruce/eba**

Copies	Description	Also referred to:
1	Copy of letter of March 9, 1954, to the Office of the High Commissioner for the United Kingdom, Ottawa, re settlement of debt to Korea.	London Washington Tokyo
<p><i>Chamberlain</i> <i>Mr. Rottier</i> <i>ELR</i> Please note this change <i>sub</i> <i>Mr. H. J. [unclear]</i></p> <p></p>		

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

COPY

CONFIDENTIAL

Our File No. 10818-A-40

Ottawa, March 9, 1954

Dear Mr. Reddaway,

Thank you very much for sending us the telegrams concerning the proposed negotiations for the settlement of the United Kingdom's, Australia's and New Zealand's debt to the Korean Government.

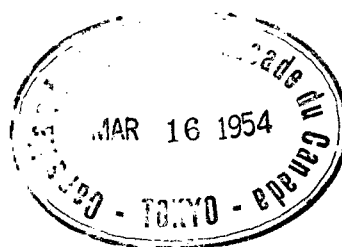
Unless the Korean authorities object to our going back on our proposal that bilateral negotiations take place, we would be agreeable to joining with the United Kingdom, Australia and New Zealand in negotiations with the Republic of Korea. Accordingly, we have asked our Embassy in Washington to inform the Korean Embassy that the Canadian Government would prefer to associate itself with the other Commonwealth governments in the proposed negotiations to settle the debts which are owed to the R.O.K. I might add that it is still our intention to repay our entire debt in our own currency once a satisfactory conversion rate has been established. I should also like to say that we would wish to be kept informed at all stages of the proposed negotiations, and to have an opportunity to consider fully any agreement before it is signed.

Yours sincerely,

BENJAMIN ROGERS

Defence Liaison (1) Division

G. F. N. Reddaway, Esquire,
Office of the High Commissioner,
for the United Kingdom,
OTTAWA, Ontario.



000187

TRANSMITTAL SLIP

Mr. Lottie
ERK
3/1/54
Hut
TO: Canadian Embassy, Tokyo, Japan.

Security... CONFIDENTIAL

Date... March 3, 1954.

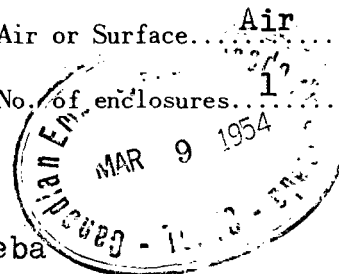
FROM: Acting Under-Secretary of State for
External Affairs.

Air or Surface... Air

No. of enclosures... 1

The documents described below are for your information.

Despatching Authority... Defence Liaison (1) G. F. Bruce/eba



240-7-3

Copies	Description	Also referred to:
1	Copy of Telegram No. WA-338 of March 1, 1954 from the Canadian Ambassador, Washington re Settlement of advances of Korean currency.	TO: Tokyo London

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

INCOMING MESSAGE

COPY

FROM:

THE CANADIAN AMBASSADOR TO THE UNITED STATES

TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Security Classification

CONFIDENTIAL

File No.

Priority

System

No.

Date March 1, 1954

CYPHER-AUTO

WA-338

(Rec'd. March 2, 1954)

Departmental
Circulation

Reference: Our letter of January 6 to Korean Ambassador.

Subject: Settlement of advances of Korean currency.

MINISTER
UNDER/SEC
D/UNDER/SEC
A/UNDER/SEC'S
POL/CO-ORD'N
SECTION

The British Embassy inform us that the United Kingdom Government is now contemplating taking quick action to negotiate a settlement of won drawing with the ROK Government. Apparently the British are thinking of sending a Treasury Officer to Korea. We understand that the United Kingdom Government is in consultation with the Australian and New Zealand Governments about simultaneous negotiations and that the British High Commissioner in Ottawa has been instructed to discuss the matter with you. The British Embassy tell us that the British Minister in Seoul has been subjected to heavy pressure from the ROK Government to settle the account.

.....

*Inform has never mentioned this to me
shub*

References

Done

Mr. Potter
for despatcher LTB
TRANSMITTAL SLIP

TO: *the* Canadian Embassy, Tokyo, Japan.....

Security... **CONFIDENTIAL**.....

Date..... **January 22, 1954**...

FROM: **Acting Under Secretary of State for**.....

Air or Surface.....

External Affairs.....

No. of enclosures..... **1**.....

The documents described below are for your information.

210-7-3

Defence Liaison (1)/G. F. Bruce/eba.

Despatching Authority.....

Copies	Description	Also referred to:
1	Copy of Letter No. 83 dated January 15, 1954, from Canadian Embassy, Washington, re settlement of advances in Korean currency to Canadian Forces.	London Tokyo

000191

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

TO: FROM: The Canadian Embassy, Washington,
D.C.

Security: CONFIDENTIAL

No: 83

FROM: THE UNDER-SECRETARY OF STATE FOR
TO: EXTERNAL AFFAIRS, OTTAWA, CANADA.

Date: January 15, 1954

Enclosures:

Air or Surface Mail:

Post File No:

Ottawa File No.

10818-A-40

References

We enclose the following items relating to the United States settlement with the Republic of Korea for drawings of Korean currency:

- (a) copy of letter dated the 8th of January, 1954, from Mr. E. K. Shultz, Chief, Foreign Financial Affairs, United States Department of the Army;
- (b) copy of letter dated the 7th of January, 1954, from Mr. Howard Smith, Chief, Korean Economic Affairs, Department of State;
- (c) photostatic copy of portion of U.N. Funding Report dated the 30th of November, 1953.

Internal
Circulation

2. From the enclosed correspondence you will note that United States officials exercised extreme caution in replying to our request for detailed information about the method used in calculating the amount of the lump-sum settlement which the United States made for won drawings to February 6, 1953. It is clear that these officials, having experience great difficulties in conducting negotiations with the ROK in the past, and anticipating further difficulties in the future, want to avoid doing anything which might queer their own pitch. Accordingly, they are taking care to see that no one will be able to quote them to the Koreans in support of the contention that the United States settlement involved the use of any won-dollar conversion rate substantially in excess of 6,000 to one. Korean officials have never been compelled to make such an admission openly, and they would strongly resist doing so.

3. Mr. Shultz presents the official United States explanation of the settlement in these words: "Although efforts were made to settle at rates considered equitable in the light of attendant economic conditions, these settlements in effect resulted in rates approximating the military conversion rates prevailing during the periods in which the hwan were advanced."

4. Mr. Smith echoed the same story, although he was so frank as to admit that "After going over these figures, I concluded that it is not possible to demonstrate arithmetically that we settled for the won drawings at the rates existing at the time the won was withdrawn."

Distribution
to Posts

CONFIDENTIAL

- 2 -

Despite this difficulty in getting his figures to support the official story fully, Mr. Smith carefully avoided, both in his letter and when pressed verbally, any admission that a settlement rate exceeding 6,000 to 1 had been applied to drawings in the period from December 15, 1952, to February 6, 1953. The latter explanation seems to be the only one which fully fits the facts, but apparently it is definitely buried in the secret notes of the United States negotiators, and we may be sure that it will not be made available to us formally at this time.

5. From our letter No. 22 of January 7, 1954, you will have noted that the UN Command in Korea is preparing a draft scheme which suggests three separate agreements with Korea, of which one would be a financial agreement establishing general principles for repayment of hwan drawings. It has occurred to us, as it no doubt has to you, that it might be advisable to relate the Canadian settlement to whatever evolves from the UNC proposal.

The Embassy.

Mr. Rogers
Mr. Ritchie
and file.
TRANSMITTAL SLIP

TO: ~~THE~~ CANADIAN EMBASSY, TOKYO, JAPAN

Security... **CONFIDENTIAL**

Date **January 21, 1954.**

FROM: Acting Under Secretary of State for
External Affairs.

Air or Surface.....

No. of enclosures... **2**

The documents described below are for your information.

Despatching Authority... **Defence Liaison (1)/G. F. Bruce/eba**

210-7-3

Copies	Description	Also referred to:
1	Copy of letter from Korean Ambassador, Washington to Canadian Ambassador, Washington, dated Dec. 22, 1953, regarding payment to Korean Government for amount of Korean currency advanced to Canadian forces in Korea.	Tokyo London.
1	Copy of Canadian Minister's reply dated Jan. 6, 1954.	


(Instruction on Reverse Side)

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

KOREAN EMBASSY

Washington, D.C.

December 23, 1953.

My dear Colleague,

I have received from my Government full data regarding the matter you mentioned in your note of December 3, 1953, and I shall be very happy to discuss this with you whenever it is convenient for you, possibly before the end of the year.

Very sincerely yours,

(Signed) YU CHAN YANG

His Excellency
Mr. A.D.P. Hickey,
Ambassador of Canada,
1746 Massachusetts Avenue, N.W.,
Washington, D.C.

C O P Y

CONFIDENTIAL

1746 Massachusetts Avenue, N.W.,
Washington, D.C.,
January 6, 1954.

Dear Dr. Yang,

In the absence of the Ambassador I should like to acknowledge and thank you for the letter which you addressed to him on December 22. We shall be happy to communicate with you when we are in a position to commence discussions about the repayment to the Korean Government for the amount of Korean currency advanced to the Canadian forces in Korea up to April 30, 1953.

Yours sincerely,

G.P. GoT. Glasbrook
Minister

His Excellency Dr. You Chan Yang,
Ambassador of Korea,
Embassy of Korea,
2320 Massachusetts Avenue, NW.,
Washington, D.C.

C O P Y

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN

Reference: Our Letter Korea No. 48 of Dec. 13

Subject: Settlement of Korean Currency

Advanced to Canadian Forces.

Security: ... **CONFIDENTIAL**

No: ... **Korea No. 6**

Date: ... **January 6, 1958**

Enclosures: **None**

Air or Surface Mail: **Air**

Post File No: **210-7-3**

Ottawa File No.

References

On December 30, the Korean Minister acknowledged our note of December 11, 1953 and said:

"In this regard, I am instructed by my government to inform you that in accordance with the suggestion made by His Excellency the Secretary of State for External Affairs of Canada, as contained in the referenced note, the Korean Embassy in Washington has already been instructed to contact the Canadian Embassy there to discuss the settlement of this matter, including repayment of Korean currency advanced to the Forces from May 1 to the end of 1953."

S. MORLEY SCOTT

S. Morley Scott.

Internal
Circulation

Distribution
to Posts

~~Mr. [unclear] [unclear]~~
~~Mr. [unclear] [unclear]~~
+ file into

Mr. Scott

REPUBLIC OF KOREA

KOREAN MISSION IN JAPAN

Tokyo, December 30, 1953

Excellency,

I have the honor to acknowledge the receipt of your note of December 11, 1953 regarding the settlement of Korean currency advanced to Canadian Forces in Korea.

In this regard, I am instructed by my government to inform you that in accordance with the suggestion made by His Excellency the Secretary of State for External Affairs of Canada, as contained in the referenced note, the Korean Embassy in Washington has already been instructed to contact the Canadian Embassy there to discuss the settlement of this matter, including repayment of Korean currency advanced to the Forces from May 1 to the end of 1953.

Accept, Excellency, the renewed assurances of my highest consideration.



Minister
Chief of Mission

His Excellency Robert Mayhew

Ambassador

The Canadian Embassy in Japan

TOKYO

000200

1 12/31
ODD [unclear]
6. [unclear]



THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

[Handwritten signature]

ADDRESS OFFICIAL COMMUNICATIONS TO

American Embassy, Tokyo,
December 22, 1953.

Mr. S. Morley Scott,
Minister-Counsellor,
Canadian Embassy,
Tokyo.

Dear Mr. Scott:

Permit me to acknowledge the receipt of your letter of December 11, 1953, in which was enclosed a copy of a note of the same date, sent by the Canadian Embassy to the Korean Minister in Tokyo, regarding the settlement of advances of Korean currency to Canadian Forces. The Embassy appreciates your thoughtfulness in making this information available.

Please accept best wishes for the holiday season.

Yours sincerely,

[Handwritten signature]

J. Graham Parsons
Counselor of Embassy

Ambassadeur D.M.
Mr. Rogers R.
Mr. Attie on file

TRANSMITTAL SLIP

TO: *ANADIAN EMBASSY,*

TOKYO, JAPAN

FROM: Acting Under-Secretary of State
for External Affairs

The documents described below are for your information.

Despatching Authority... *D.L.(1)/G.F.Bruce/eam*

Security... CONFIDENTIAL

Date.. *December 16, 1953*

Air or Surface... *Air*

No. of enclosures.... *one*

210-7-3

Copies	Description	Also referred to:
1	<p>Letter No. 2372 of December 11, 1953 from the Canadian Embassy, Washington, D.C. Re: Settlement of Advances of Korean Currency to the Canadian Forces.</p> <p><i>Canadian Embassy - Ambassade du Canada DEC 21 1953 - TOKYO -</i></p>	<p>LONDON TOKYO</p>

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY,.....
.....WASHINGTON, D.C.

Reference: Your letter D-1424 of December 4,...

Subject: Settlement of Advances of Korean.....
.....Currency to the Canadian Forces.

Security:....CONFIDENTIAL.....

No:.....December 11, 1953,...

Date:.....2372

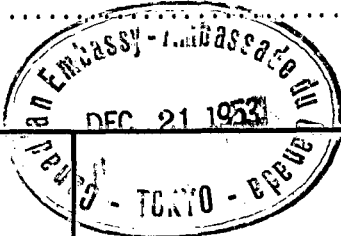
Enclosures:.....

Air or Surface Mail:.....

Post File No:.....

Ottawa File No.

References



As you have pointed out, there is a discrepancy between the Korean won - U.S. dollar conversion rates listed in the Note of July 15, 1953 which the Korean Minister in Tokyo handed to our Ambassador on July 31st and the rates which U.S. officials gave us to understand (our letter 1176 of June 12, 1953) were used by the U.S. negotiators in making the calculations which, subject to certain adjustments, served as the basis underlying the U.S.-R.O.K. agreement of February 25, 1953. Under this agreement the U.S. made a lump sum payment of \$85.8 million to the Republic of Korea in full settlement for all outstanding local currency advances by the Republic of Korea to U.S. forces prior to February 7, 1953.

Internal
Circulation

2. The discrepancy relates to the period from December 15, 1952 to February 7, 1953. For this period the Korean Note postulates the continuation of the military conversion rate (6,000 won to one U.S. dollar) that had been introduced on March 10, 1951. On the other hand, according to the version we were given of the negotiations, the U.S. negotiating team rejected the application of the old 6,000 to one rate to the settlement for this period, and insisted that the calculation be made on a basis which gave at least partial recognition to the drastic decline in the purchasing power of the won that had occurred between March of 1951 and December, 1952.

3. In our letter 1176 of June 12 we described the arithmetic relating to the December 15 - February 7 period in these terms:

"The United States secured additional supplies of won (about 50,000 million) between the original cut-off date of December 15, 1952 and February 8, 1953. For these won the U.S. negotiators agreed to a lump sum settlement of exactly \$3 million. In arriving at this \$3 million figure, a conversion rate of 18,000 won to the U.S. dollar was used as the primary basis, but it was not adhered to strictly.

Distribution
to Posts

* * * 2000204

- 2 -

The United States negotiators first secured Korean agreement to the principle that a realistic conversion rate should be applied, and that 18,000 to one represented a realistic rate. Then, after establishing the principle, they tempered the strict arithmetic with generosity in two respects: first, they agreed to pay for all U.S. won drawings during this period, including those expended on Korean account; second, after making a calculation on the 18,000 to one basis and arriving at a figure of somewhat less than \$3 million, they agreed to round it upward to \$3 million".

4. The information reported on June 12 and repeated in the preceding paragraph, was obtained by Annis on a confidential basis in talks which he had with Treasury officials who had been following closely the reports to Washington of the U.S. negotiating team in Korea. It should be emphasized that these reports were given to us as the behind-the-scenes part of the story which never has been and probably never will be publicly admitted. Efforts which we have made during the past week to secure elaboration and confirmation of this information have not been very successful. Indeed, it has become clear that the Americans would be embarrassed if we were to use this information in any way which might involve its becoming public knowledge. However, we have been given no reason to doubt the substantial accuracy of our original report.

5. In our efforts to obtain confirmation of the arithmetic behind the U.S.-R.O.K. settlement, we first approached the Treasury official who had been most helpful last June. He at once referred to a recent tightening up of security regulations and said that he would have to check the classification of the documents before giving us any additional information, or even repeating what he had said previously. Later he telephoned to say that the documents were all regarded as security information and could be released only by the military authorities. After clearing with the State Department, he referred us to Mr. E.K. Shultz, Acting Chief for Foreign Financial Affairs, Department of the Army.

6. Mr. Shultz has undertaken to review the materials in question with a view to seeing what can be declassified and given to us without any restriction, and what additional material can be given to us through cleared military channels on a restricted basis. We expect him to confirm the military conversion rates used by the Americans from time to time (this should check with information you already have from the U.S. Funding Officer) and to give us grand totals of all won purchased by the U.S., and the number of dollars paid for them. The latter will automatically provide the average settlement rate applicable to the whole period from July, 1950 to February 7, 1953. We understand that it will work out to somewhat more than 6,000 won to the U.S. dollar.

7. We do not entertain much hope of getting from Mr. Shultz any other information of great value to us.

We can take it for granted that the material he supplies

000205

- 3 -

will not afford confirmation of our previous information regarding the rates used for negotiating purposes. Indeed, in speaking to us, Mr. Shultz made an obvious effort to create the impression that no specific conversion rates were used in arriving at the \$85.8 million total. He emphasized the "negotiated" and "over-all" nature of the settlement.

(sgd) G. Neil Perry

The Embassy.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN

Reference: Your Despatch No. D.790 of Nov. 26

Subject: Settlement of Advances of Korean
Currency to the Canadian Forces

Security: **CONFIDENTIAL**

No: Korea No. 48

Date: December 11, 1953.

Enclosures: Two

Air or Surface Mail: Air

Post File No: 210-7-1

Ottawa File No.

References

I enclose a copy of a note which has gone to the Korean Minister here in accordance with your instructions, as well as a more personal letter addressed to him. Copies have gone to the representatives of the New Zealand, Australian British and United States Governments here.

S. MORLEY SCOTT

S. Morley Scott.

Internal
Circulation

Distribution
to Posts

S.M. SCOTT/NW

Tokyo, Japan,
December 11, 1953.

Dear Mr. Minister,

May I explain the meaning of the last paragraph in the attached note from this Embassy respecting the settlement of Korean currency advanced to Canadian Forces in Korea.

It is the overt intention that the conversations will be carried on in Washington, if agreeable to your Government, and that it will not be necessary for correspondence to pass through the channel hitherto used. Our last paragraph simply means that we should like to know when your government takes the next step and through what channel so that we may know in this embassy whether we have any further responsibility.

Yours sincerely,

S. Morley Scott,
Minister-Counsellor.

His Excellency Yong Shik Kim,
Minister,
Mission in Japan of the Republic of Korea,
TOKYO, Japan.

Tokyo, December 11, 1953.

Excellency,

I have the honour to refer to my note dated October 1, 1953 regarding settlement of Korean currency advanced to Canadian Forces in Korea.

I am instructed by the Secretary of State for External Affairs to tell you for the information of His Excellency the Minister of Foreign Affairs of the Republic of Korea that the Canadian Government is prepared to have its representatives meet with the representatives of the Government of the Republic of Korea in order to arrange for the repayment of the money owed by Canada to the Korean Government. In the course of arranging for the repayment, the representatives of Canada will wish to discuss conversion rates and, as a consequence, the actual amount that is owed by Canada to Korea.

In order that representatives of the two government may proceed with the settlement of the final amount, the arrangements for the payment, the method of future drawings and the selection of conversion rates, I am instructed to suggest that the representatives should meet at Washington at a mutually satisfactory date. If this is acceptable to the Government of the Republic of Korea, arrangements can be made by the respective embassies in Washington.

I shall be happy to convey to the Canadian Government the initial response of the Foreign Minister

His Excellency Yong Shik Kim,
Minister,
Mission in Japan of the Republic of Korea,
TOKYO, Japan.

...2

- 2 -

of the Republic of Korea; or should the Foreign Minister propose to reply through your embassy in Washington, I should be grateful to receive an intimation to that effect.

Accept, Excellency, the renewed assurance of my highest consideration.



TRANSMITTAL SLIP

TO: *file* Canadian Embassy,
Tokyo

FROM: Under-Secretary of State for External
Affairs, Ottawa.

The documents described below are for your information.

Despatching Authority. D.L.(1)/G. F. Bruce/da

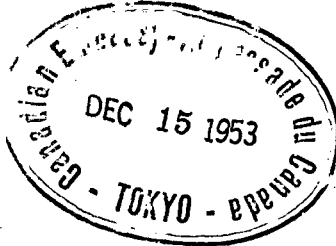
Security...**CONFIDENTIAL**.....

Date...**DECEMBER 8, 1953.**.....

Air or Surface... **air**.....

No. of enclosures...**one**.....

210-7-3

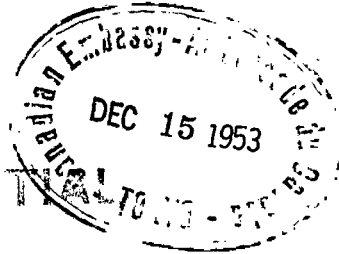
Copies	Description	Also referred to:
one	Copy of letter from Canadian Ambassador to Korean Ambassador in Washington. Re: Settlement of advance of Korean currency to the Canadian Forces. 	Tokyo London

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

C-
O
P

CONFIDENTIAL



1746 Massachusetts Ave. N. W.,
WASHINGTON, D. C.,
December 3, 1953.

My dear Ambassador,

On July 15 the Korean Minister in Tokyo addressed a letter to the Canadian Ambassador requesting that the Canadian Government make repayment to the Korean Government for the amount of Korean currency advanced to the Canadian forces in Korea up to April 30, 1953.

The Canadian Ambassador in Tokyo has been requested to inform the Korean Minister that the Canadian Government agrees to a meeting with representatives of the Korean Government in order to arrange for a settlement of the debt. I have been asked to let you know that the Canadian Government, through the Ambassador in Tokyo, is proposing to the Korean Government that negotiations relative to the settlement of this debt be held in Washington. The Canadian part of the negotiations will be conducted by this Embassy and we shall be ready to commence discussions at a mutually convenient time.

Yours sincerely,

A.D.P. Heeney,
Canadian Ambassador.

His Excellency Dr. You Chan Yang,
Ambassador of Korea,
Korean Embassy,
2320 Massachusetts Avenue N.W.,
WASHINGTON, D. C.

Mr. R. B. [Signature]
and [Signature]
for [Signature]
TRANSMITTAL SLIP


TO: *[Redacted]* The Canadian Embassy,
Tokyo, Japan
FROM: The Under-Secretary of State
for External Affairs, Canada

Security..... **CONFIDENTIAL**
Date..... December 7, 1953
Air or Surface..... **Air**
No. of enclosures..... **One**

The documents described below are for your information.

Despatching Authority..... **GFBruce/ga**

210 -7-3

Copies	Description	Also referred to:
1	<p>Copy of our Letter No. D-1424 of December 4, 1953 to the Canadian Embassy, Washington, D.C. <u>RE</u> Settlement of Advances of Korean Currency to the Canadian Forces.</p> 	London

000215

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

TO: **THE CANADIAN EMBASSY,**
WASHINGTON, D.C.

FROM: **THE UNDER-SECRETARY OF STATE FOR**
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference: **Sur. Despatch No. D-1375 of Nov. 27.**

Subject: **Settlement of Advances of Korean..**
Currency to the Canadian Korean.

Security: **CONFIDENTIAL**

No: **D-1424**

Date: **December 4, 1953.**

Enclosures:

Air or Surface Mail: **Air**

Post File No:

Ottawa File No.	
10310-A-40	



References

On November 18, 1953 I referred to you a copy of a letter dated October 27, 1953 from the Department of Finance recommending the immediate settlement of our debt to the Republic of Korea. Page 2 of this letter noted that there was a discrepancy between the conversion rates which were given to you by the U.S. Treasury (Your letter No. 1176 of June 12, 1953) and the rates which are listed in the Note of July 15, 1953 which the Korean Minister in Tokyo handed to our Ambassador on July 31.

In order that we may clarify this matter before the proposed meeting with the Koreans, I should be grateful if you could obtain from the U.S. Treasury, confirmation of the conversion rates which were used for the repayment by the United States of its debt to the Republic of Korea.

BENJAMIN ROGERS

FOR THE **Under-Secretary of State**
for External Affairs.

Internal
Circulation

Distribution
to Posts

Tokyo
London

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

DESPATCH

Actini
TO.....THE HEAD OF POST,.....
.....TOKYO, JAPAN.....

FROM: THE SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference Your Despatch No.. 787. of July. 31, 1953

Subject: Settlement of Advances of Korean.....
.....Currency to the Canadian Forces.....

Security: ... RESTRICTED

No: Dm 790

Date: ... November 26, 1953

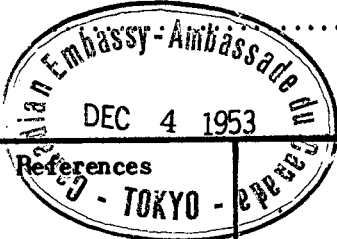
Enclosures:

Air or Surface Mail: ... Air

Post File No: 210-7-3 ✓

Ottawa File No.

10818-A-40



Mr. Scott
LR.
December 4th, 1953

We have now obtained the views of all the Departments concerned with the repayment of advances of Korean currency to the Canadian forces, and, as you may have noted from the correspondence which we have referred to you, there appears to be no reason for delaying the settlement of our debt to the Republic of Korea. Accordingly, I should be grateful if you would inform the Minister of the ROK that the Canadian Government is prepared to meet with representatives of his Government in order to arrange for the repayment of the money owed by Canada to his Government. Since we have some views to express on the conversion rates which have been used at various times since June 1950, would you also mention in your reply that although the Canadian Government has agreed to settle its debt, it would wish, in the course of making the arrangements for the repayment, to discuss the question of conversion rates and as a consequence, the actual amount which is owed by Canada to the Republic of Korea.

2. In order that representatives of both Governments may proceed with the settlement of the final amount, the arrangements for the payment, the method of future drawings, and the selection of conversion rates, I should be grateful if you would suggest in your reply to the Korean Minister that representatives of our two Governments meet in Washington on a mutually satisfactory date. If this is acceptable to the Government of the ROK, arrangements can be made by our respective Embassies in Washington.

3. Since we intend to inform the High Commissioners of the United Kingdom, New Zealand and Australia here in Ottawa, as well as the U.S. State Department, of the Canadian Government's decision to settle its debt with the Republic of Korea, there will be no objection to your discussing this matter with the representatives of these countries in Tokyo. We shall of course continue to refer to you all correspondence concerning this matter.

Internal
Circulation

Distribution
to Posts

Washington
London

R.A. Mackay
/s/ The Secretary of State
for External Affairs.

TRANSMITTAL SLIP

TO: *file* CANADIAN EMBASSY.....
.....TOKYO, JAPAN.....
FROM: Under-Secretary of State.....
.....for External Affairs.....

Security: **CONFIDENTIAL**.....
Date: **November 23, 1953**.....
Air or Surface: **Air**.....
No. of enclosures: **one**.....

The documents described below are for your information.

Despatching Authority: **D.L.(1)/G.F. Bruce/eam**.....

210-7-3

Copies

Description

Also referred to:

1

Letter of October 27, 1953 from
Mr. A. B. Hookin, Department of
Finance.

Re: Settlement of advances of
Korean currency to Canadian
Forces.



Handwritten initials and stamps:
FAP
NOV 27 1953
L-C 1

London
Washington
~~Tokyo~~

Handwritten notes:
~~The Ambassador~~
Mr. Kettle
Mr. Motono
Mr. Scott (Washington)
File. L.R.

November 27th, 1953

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

C O P Y

DEPARTMENT OF FINANCE

OTTAWA, CANADA



CONFIDENTIAL

October 27, 1953.

The Under-Secretary of State
for External Affairs,
East Block,
O t t a w a .

Attention Mr. B. Rogers

Dear Sir,

I should like to refer to your letter of October 20th concerning the settlement of advances of Korean currency to Canadian forces.

We can, of course, sympathize with the U.K. position outlined in your letter and their desire to have us refrain from making any settlement with the Korean Government for payment of Canadian debts in U.S. dollars. Since they hope to pay in sterling themselves they wish to have us insist upon paying in our own national currency. I would anticipate no difficulty in getting the Koreans to agree to receive payment in Canadian dollars; therefore, we should not endanger the British position. I think we might reply to the British merely that we hope to reach agreement with the Korean Government for settlement of the account in Canadian dollars.

From the Canadian point of view I think it would be more satisfactory for us to suggest Washington as the location for negotiations rather than London. Our Embassy in Washington has already found out some information concerning the American settlement and they are therefore not unfamiliar with the problem. Any further information concerning the U.S. settlement which might be helpful could be more easily obtained in Washington than in London. As agreed over the telephone I think we might suggest to the Korean Government that our Embassy would get in touch with their people in Washington in the near future.

In the meantime I think we should ask the Embassy in Washington to familiarize themselves with the problem and to do some further checking as to the agreement reached between the U.S. and Korea. The main point at issue in our own negotiations will be the rates of exchange to be used. In the letter received by the Canadian Ambassador in Tokyo from the Korean Minister of Foreign Affairs and sent back to Ottawa attached to Despatch No. 787 of July 31, 1953, the Korean Government suggested the following conversion rates:

- 2 -

<u>Period</u>	<u>Prevailing Military Conversion Rate</u>
Jul 50 - 30 Sep 50	₩1800 to US\$
1 Oct 50 - 5 Nov 50	₩2500 to US\$
6 Nov 50 - 9 Mar 51	₩4000 to US\$
10 Mar 51 - 16 Feb 53	₩6000 to US\$
17 Feb 53 - 30 Apr 53	HW 180 to US\$

NOTE:

₩ - Won, the unit of currency up to 16 Feb 1953
HW - Hwan, the new unit of currency from 17 Feb 1953
onwards (1 Hwan - 100 Won)

The Canadian Embassy in Washington in letter #1176 of June 12, 1953, reported that the U.S. Treasury had given them the following table which they claimed had been agreed to between the U.S. and Korean Governments:

<u>Date of Drawing</u>	<u>Won per U.S. dollar</u>
June 30/50 to Sept. 30/50	1,800
Oct. 1/50 to Nov. 5/50	2,500
Nov. 6/50 to Mar. 9/51	4,000
Mar. 10/51 to Dec. 15/52	6,000

Settlements after Dec. 15/52 were made on the basis of 18,000 Won (or 180 Hwan) to the dollar, with adjustments for certain factors. It will be noted that there is some discrepancy between the two tables. We would like to be assured that the rates actually used were those supplied to the Canadian Embassy in Washington by the U.S. Treasury.

Yours very truly,

/S/ A. B. Hockin

TRANSMITTAL SLIP


TO: **The Canadian Embassy,**
.....
TOKYO, Japan.
.....
FROM: **Under-Secretary of State for External**
.....
Affairs.
.....

Security... **CONFIDENTIAL**
Date... **October 21, 1953.**
Air or Surface... **Air**
No. of enclosures... **1**

The documents described below are for your information.

Despatching Authority... **B. Rogers**

210 - 7 - 3

Copies	Description	Also referred to:
1	<p>Letter of October 20, 1953, to the Deputy Minister of Finance, re Settlement of Advances of Korean Currency to Canadian Forces.</p> 	<p>London Washington Tokyo</p>

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.



CONFIDENTIAL

October 20, 1953.

The Deputy Minister,
Department of Finance,
O t t a w a.

Settlement of Advances of Korean Currency
to Canadian Forces

On October 7 I referred to you a copy of our Letter No. D-615 of October 2 to the Canadian Embassy, Tokyo, to which was attached an Aide Memoire on the subject of the settlement of advances of Korean currency to Canadian forces which was handed to Mr. Norman Roddaway of the United Kingdom High Commissioner's Office on September 29.

2. Mr. Roddaway told us subsequently that the United Kingdom authorities would be grateful if we would defer action for a short time until they had had an opportunity to formulate their views and express them to us.

3. We have now received from the United Kingdom High Commissioner's Office copies of telegram No. 742 of October 16 from the Lord Privy Seal. I enclose a copy. You will note that the United Kingdom authorities do not intend to make another attempt to persuade us to refrain from settling our account with the Republic of Korea. They, for their part, however, intend to adhere to the policy previously expressed. (This policy was set forth in a letter of August 19 addressed to Mr. Wershof of this Department by Mr. Gandee of the United Kingdom High Commissioner's Office which was sent to you under cover of our letter of August 24.)

....2

- 2 -

4. You will see from paragraph 4 of the telegram from the Lord Privy Seal to the High Commissioner for the United Kingdom that the United Kingdom authorities would like to know our proposed method of payment. They consider, and they hope that we will agree, that the demands of the Republic of Korea should be settled in the currency of the paying nation. It would help them if we declined (as they will continue to do) to make payment in United States dollars. If there should be technical difficulties in the way of our paying Canadian dollars, they would like to suggest that we consider payment in sterling.

5. I should be grateful for your advice as to the reply that should be given to the United Kingdom High Commissioner's Office.

6. I think that we should now give consideration to the means of instituting negotiations on the rate of exchange with the Government of the Republic of Korea. You will recall that the request for settlement of our account was received from the Minister of the Republic of Korea in Tokyo who handed to our Ambassador in Tokyo a letter from the Minister of Foreign Affairs of the Republic of Korea to the Secretary of State for External Affairs. A formal reply, other than the acknowledgment that has already been sent, should go from our Embassy in Tokyo to the Korean Legation there. It is open to us to suggest in such formal reply that negotiations be conducted elsewhere - for instance, in Washington or London. If we should fall in with the United Kingdom suggestion that we propose settling our account in sterling, there might be some advantage in conducting the negotiations in London rather than in Washington. In any case I should be grateful for an expression of your views.

7. I am sending copies of this letter to the Deputy Minister of National Defence.

R. A. MACKAY

(7-1) Acting Under-Secretary of State
for External Affairs

TRANSMITTAL SLIP

TO: The Canadian Embassy,
Tokyo, Japan.

FROM: Acting Under-Secretary of State
for External Affairs, Ottawa

The documents described below are for your information.

Despatching Authority..D.L.(1)/K.W.MacLellan/MPS


Security...CONFIDENTIAL

Date...October 7, 1953

Air or Surface...Air

No. of enclosures...3

210-7-3
→

Copies	Description	Also referred to:
1	Telegram No. 693 of September 30, 1953, from High Commissioner for United King- dom, Ottawa, to Lord Privy Seal, London	
1	Telegram No. 722 of October 6, 1953, from Lord Privy Seal, London, to High Commissioner for United Kingdom, Ottawa	
1	Telegram No. 708 of October 6, 1953, from High Commissioner for United King- dom, Ottawa, to Lord Privy Seal, London	
	re: Korean Currency.	

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

T E L E G R A M

from: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM

to: THE LORD PRIVY SEAL

10818-A-40

SENT: 11.15 a.m. 6th Oct., 1953

PRIORITY

EN CLAIR

No. 708

UNCLASSIFIED

Your telegram No. 722
of 6th October.

KOREA

Canadians agree to delay
pending preparation of answer.

JM

6.10.53

C O P Y

TELEGRAM

FROM: THE LORD PRIVY SEAL LONDON

TO: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM, OTTAWA

SENT 1.30 p.m. 6th October 1953

RECD 9.45 a.m. 6th October 1953

PRIORITY

O T P

No. 722

CONFIDENTIAL

Your telegram No. 693.

Korean Currency.

Aide memoire has been received and is being studied by departments mentioned, but detailed observations on it will take a few days to prepare. Any action by Canadian Government in meantime would be very embarrassing to the United Kingdom which has of course a much larger interest in this matter. Grateful therefore for anything you can do to persuade Canadian authorities to delay payment until answer to their aide memoire is received.

JS
6.10.53

C O P Y

FROM THE HIGH COMMISSIONER FOR THE UNITED KINGDOM OTTAWA
TO THE LORD PRIVY SEAL LONDON
REPEATED UNITED KINGDOM AMBASSADOR TOKYO
H.M. REPRESENTATIVE PUSAN
UNITED KINGDOM HIGH COMMISSIONER WELLINGTON
UNITED KINGDOM HIGH COMMISSIONER CANBERRA
UNITED KINGDOM AMBASSADOR WASHINGTON

TELEGRAM

SENT 11.30 a.m. 30th September 1953

PRIORITY

CYPHER SIMPLEX

NO. 693

CONFIDENTIAL

Addressed C.R.O. No. 693, repeated Tokyo No. 3,
Pusan No. M44, Wellington No. 15, Canberra No. 13, and
No. 15 Saving to Embassy at Washington. C.R.O. please pass
to all but Washington.

My telegram No. 688 of 28th September, 1953.

Korean Currency.

Canadian External Department now officially
confirm unwillingness to follow course of action suggested
by Her Majesty's Government in the United Kingdom.
Canadians intend to settle their debt fairly shortly, but
are unlikely to act before about ten days from now. They
will probably inform Australia and New Zealand of this
decision.

Copy of Aide Memoire follows by bag.

JS
30.9.53

M. Pettie 1953.

file

Korean Currency - Canadian Troop
(D 615 from Ottawa)

It's not clear whether Ottawa will
reply this eve. If so, we must expect the
reply fairly soon, and it will be yours or
mine to forward it. Let's hope it will be
spelt out. There will be negotiations about
rate of exchange, whether here or elsewhere

Chris

Bob

and file
Chris

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: THE CANADIAN EMBASSY,
..... TOKYO, JAPAN,

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference: My letter No. D-589 of September 21st

Subject: Settlement of Advances of Korean
Currency to Canadian Forces.

Security: CONFIDENTIAL

No: D-615

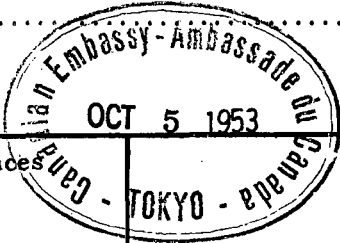
Date: October 2, 1953

Enclosures: Two

Air or Surface Mail: Air

Post File No: 210-7-3

Ottawa File No.
10818-A-40



References

TOKYO - epwup

Mr. Norman Reddaway, of the Office of the High Commissioner for the United Kingdom in Canada, called on September 29, 1953 and was handed an Aide Memoire on the above subject, a copy of which I enclose. I also enclose, for your information, a copy of an internal memorandum for the Acting Under-Secretary on the same subject, dated September 23, 1953, paragraph 3 of which sums up the consensus of the interdepartmental meeting.

2. Mr. Reddaway was informed verbally that we thought the statement in the third paragraph of Mr. Gandee's letter of August 19th, to the effect that the demand to the U.K. for repayment was "in respect of drawings used by all Commonwealth Forces and not entirely U.K. forces", might be subject to misinterpretation. Canada had made currency withdrawals separate from the BCFK withdrawals and had received a separate request from the Koreans for repayment. It was this separate Canadian debt which was of immediate concern to us and which we thought should be settled.

3. Mr. Reddaway was informed that we did not think many of the points made by Mr. Gandee against repayment in his letter of August 19, 1953 were very sound since we imagined that both the U.K. and Canada would have great difficulty in offsetting Commonwealth-type military equipment, which they might wish to leave in Korea, against the debt incurred by the withdrawals of Korean currency. Reddaway replied that the reasons stated in the letter were perhaps not too important; however, the fact was that the U.K. might not, at the present time, wish to settle their drawings of Korean currency. He went on to ask what would happen if the U.K. stuck to its present position and we stuck to ours. He was informed that we would wait about 10 days before informing the Republic of Korea that we wished to settle our debt. We said that if the United Kingdom Government wished to make further representations, we should be glad to consider them, although we did not mean to give the impression that our views were likely to change. Finally, we mentioned that settle-

Internal
Circulation

Distribution
to Posts

- 2 -

ment by Canada would not be undertaken without negotiation as to the exchange rate to be used and this negotiation might take some time.

4. Reddaway agreed to pass this information on to the United Kingdom authorities and we agreed to inform him before taking any further action. He was also informed that we might pass copies of the Aide Memoire to the Australian and New Zealand High Commissioners in Ottawa. I shall inform you of any further U.K. views on our decision that we may receive.

for Benjamin Rogers
for Acting Under-Secretary of State
for External Affairs.

DEPARTMENT OF EXTERNAL AFFAIRS

MEMORANDUM

TO:THE ACTING UNDER-SECRETARY.....

Security ...**SECRET**.....

Date ..**September 23, 1953.**

FROM:Defence Liaison (1).....

File No.

REFERENCE:

SUBJECT:Repayment of Korean currency drawn
by British Commonwealth Forces in Korea.....

You will recall that the Koreans have requested Canada to repay the past drawings of currency made by our forces in Korea, and also to make dollar payment for future drawings in cash. The U.K. received a similar request and Mr. Gandee, of the U.K. High Commissioner's Office suggested to us in a letter dated August 19, 1953 that settlement of the drawings made by Commonwealth forces be postponed until the amount owed by Korea to the Commonwealth forces could be ascertained and offset against the amount owed to Korea. The U.K., of course, are opposed to settlement in dollars.

2. For purposes of discussing the matter with the Departments of Finance and National Defence, you approved our suggestion this Department propose a compromise -- the past debt be frozen pending negotiation, and future drawings of Korean currency be paid for with cash. I attach the memorandum dated September 16, 1953 in which this was outlined.

3. At the interdepartmental meeting to discuss this question, the representatives of both the Departments of Finance and of National Defence favoured immediate settlement by Canada of the debt owed to Korea. After discussion, it was decided to inform the U.K. that Canadian authorities could not

- 2 -

see valid reasons for delaying settlement of the debt owed by Canada, and favoured negotiations with a view to early settlement. If the U.K. make a strong reply in favour of their suggestion to delay settlement until an offsetting balance can be made, the consensus of the interdepartmental meeting was that the compromise proposal suggested by this Department could be put to the U.K. subject to agreement by Ministers.

4. I attach an Aide Memoire, dated September 24, 1953 for your approval, which states the Canadian case for immediate settlement, but leaves the door open for a U.K. reply. Some of the stronger arguments against the U.K. proposal could be given to Mr. Gandee verbally when he calls.

5. Far Eastern Division have seen and agree with the Aide Memoire.

Defence Liaison (1).

SECRET

AIDE MEMOIRE

On July 15, 1953 the Minister in Tokyo of the Republic of Korea handed a letter to the Canadian Ambassador in Japan requesting immediate repayment of past advances of Korean currency to Canadian forces, and dollar repayment for all future drawings of Korean currency. Mr. Gandee, of the Office of the High Commissioner for the United Kingdom in Ottawa, wrote to us on August 19th to say that a similar request had been received by the United Kingdom Minister in Korea.

2. Mr. Gandee requested the views of Canadian Government authorities on the following course of action proposed by the United Kingdom authorities:

- (a) The Republic of Korea Government be informed that Commonwealth forces would prefer to defer the financial settlement to a later stage when it is possible to make a general financial settlement covering all liabilities of either side;
- (b) The United States Government should be informed of this line of action because of the danger that the ROK Government may take steps to abrogate the terms of the July 1950 agreement;
- (c) The United States should be given to understand that whatever the consequences, the British Commonwealth Forces Korea shall continue to look to the United Nations Funding Officer to obtain and provide all Hwan requirements of Commonwealth forces.

3. The views of the United Kingdom authorities have been given sympathetic consideration; however, from a Canadian point of view, there do not seem to be valid reasons for delaying settlement for Korean funds drawn by the Canadian forces. These drawings are considered to be a debt owed by Canada to Korea and the equivalent of the drawings has been set aside for repayment at an opportune time. In accordance with Canada's policy as

- 2 -

1. 2: we pay in dollars? *Yes*

regards charges incurred by Canadian forces in other countries, Canadian Government officials are of the opinion that the debt to Korea should be repaid promptly, especially since repayment has been asked for. Had the Korean authorities not asked for repayment, the Canadian Government might not have taken the initiative in this matter for some months. The foreign exchange available to Korea for import purposes is at the best of times comparatively small and the amount owed by Canada would undoubtedly be of welcome assistance to Korea in combatting inflation and assisting with rehabilitation. Rejection of the present Korean request may have the undesirable effect of exacerbating anti-Commonwealth sentiment found in some quarters of the Korean Government. Delay might give those so inclined some justification for public criticism of Canada (and other Commonwealth governments) for allegedly contributing to the financial difficulties in which Korea finds itself. The reasons for delaying payment mentioned in Mr. Gandee's letter of August 19th do not seem to have sufficient relation to the Canadian position to warrant delay in repayment by Canada.

4. The rates of exchange to be employed are certain to be a contentious part of any discussions concerning settlement and Canadian Government authorities are of the opinion that it would be advisable to begin such discussions as soon as possible. The United States Government now has an agreement by which its drawings are made at a rate of exchange which more nearly approximates a realistic exchange rate than does the present official rate at which Canadian drawings are made. Delay in settlement would have the effect of further extending this anomalous situation and may make final settlement more difficult.

5. Canadian Government authorities are at present of the opinion that Canada should enter into discussions forthwith to settle outstanding drawings of Korean currency made by its forces and that future drawings should be purchased for cash at a realistic exchange rate from the Bank of Korea. Canadian settlement would, of course, have to be made in dollar funds. The Canadian authorities have given consideration to the views of the United Kingdom authorities, but do not feel that there are compelling reasons for delaying settlement. The United Kingdom authorities may wish to consider this point of view in the light of their suggestion that joint action be taken.

Department of External Affairs, Ottawa

September 24, 1953.

000238

Tokyo, October 1, 1953.

Excellency:

I have the honour to refer to your visit with me on July 30 upon which occasion you presented to me a note dated July 15 from His Excellency the Minister of Foreign Affairs of the Republic of Korea addressed to the Secretary of State for External Affairs in the Government of Canada regarding settlement of Korean Currency advanced to Canadian Forces in Korea.

I am now instructed by the Secretary of State for External Affairs to acknowledge, on his behalf, receipt of this note and to inform you that its content is being carefully examined by the appropriate branches of the Canadian Government following which a reply will, of course, be sent to you.

Accept, Excellency, the renewed assurances of my highest consideration.

Ambassador

His Excellency Yong Shik Kim,
Minister,
Mission in Japan of the Republic of Korea,
Tokyo, Japan.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: THE CANADIAN AMBASSADOR,.....
TOKYO, JAPAN.....

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference: Your Letter No. 901 of September 9th.

Subject: Settlement of Advances of Korean.....

.....Currency to Canadian Forces.....

Security: ...CONFIDENTIAL.....

No:D- 589.....

Date: ...September 21, 1953.....

Enclosures:.....

Air or Surface Mail: ...Air.....

Post File No:210-7-2 ✓.....

Ottawa File No.

References

Mr. Scott

LR

September 28th, 1953



The information contained in your letter under reference and its enclosures proved very useful at an interdepartment meeting held on September 18th to discuss the questions on the above subject raised in the Note dated July 15, 1953 handed to Mr. Mayhew by the Korean Minister in Japan, and also in the letter dated August 19, 1953 from the United Kingdom High Commissioner's Office in Ottawa, which was referred to you. No decision has as yet been made as to what policy should be followed by Canada. However, an Aide Memoire will probably be handed to the U.K. High Commissioner's Office to explore further the U.K. views. The Australian and New Zealand High Commissioners here may also be consulted, or at least informed of what is taking place. I shall of course inform you of action taken.

I suggest that you make an interim acknowledgment of the July 15th Note from the Minister of Korea in Japan to say that the matter is under study in Ottawa and that a reply will be given in due course.

Internal
Circulation

M. A. Marshall
for Acting Under-Secretary of State
for External Affairs.

Distribution
to Posts

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN AMBASSADOR,
TOKYO, JAPAN

Reference: Your Letter No. D-494 of Aug. 11

Subject: Settlement of Advances of Korean
Currency to the Canadian Forces

Security: CONFIDENTIAL

No: 981

Date: September 9, 1953.

Enclosures: Four

Air or Surface Mail: Air

Post File No: 210-7-3

Ottawa File No.

References

We attach, for your further information, one copy of Letter CBUFE/6-5-2 of August 13 from Headquarters, Canadian Base Units, Far East, to the Commander of the Canadian Military Mission, Far East; one copy of letter FA/205 of August 11 from the Financial Adviser, Headquarters, Commonwealth Forces in Korea to the Commander of Headquarters, Canadian Base Units, Far East; one copy of a confidential report on talks with the British Minister in Pusan and the head of the Australian Delegation to UNCURK in Pusan dated August 11, 1953; and a copy of the agreement between the Government of the United States and the Government of the Republic of Korea concerning expenditures by forces under the United Nations Command negotiated during 1950.

2. Those documents reflect the apparent desire of the British and the Australian Forces in Korea to make their settlement for drawings on Korean currency on a straight business bases, in contrast to the U.S. desire to use the settlement as a form of economic assistance to Korea.

3. You will note that, in paragraph 3 of the record of talks, the British Minister in Pusan was directed to send an interim acknowledgment to the Korean Government. We have, of course, not taken any step of this nature and should be glad to know whether you would wish us to do so.

Internal
Circulation

R. L. ROGERS

THE EMBASSY.

Distribution
to Posts

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO.....THE CANADIAN EMBASSY,.....
.....TOKYO, JAPAN.....

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference: Your despatch No. 787 of July 31st..
Subject: Settlement of Advances of Korean.....
.....Currency to the Canadian Forces.....

Security:.....S.E.C.R.E.T.....

No:.....August 24, 1953.....

Date:.....D-532.....

Enclosures:.....Two.....

Air or Surface Mail: Air.....

Post File No: 210-7-3.....

Ottawa File No.
10818-A-40



References

Circulate to:
~~The Ambassador~~
Brig. Mortimer
& return to H.R.
L.R.
August 31st, 1953
J.H.
September 2nd, 1953
L.R.

Further to my D-494 of August 11, 1953 I now attach a letter dated August 19, 1953 from the United Kingdom High Commissioner's office in Ottawa concerning the views of United Kingdom authorities to an approach made by the Korean Ministry of Foreign Affairs to the United Kingdom Minister in Korea on the subject of settling advances of Korean currency made to Commonwealth Forces.

I also attach a copy of my letter, dated August 24, 1953 to the Deputy Minister of Finance asking for his views on this subject. We have not as yet received the Department of Finance's views concerning the similar request made by the Korean Minister in Japan to Mr. Mayhew.

I shall keep you informed.

J.H. Halstead
for Acting Under-Secretary of State
for External Affairs.

Internal
Circulation

Distribution
to Posts

S E C R E T

August 24, 1953.

The Deputy Minister,
Department of Finance,
O t t a w a .

Settlement of Advances of Korean Currency
to the Canadian Forces

May I refer to my letter of August 11, 1953 with which I enclosed a copy of Despatch No. 787 of July 31st from the Canadian Ambassador in Tokyo concerning a Korean request that the Canadian Government take steps to reach an immediate settlement for Korean currency advanced to the Canadian forces in Korea through United States channels. I now attach a letter from Mr. J. S. Gandee of the Office of the High Commissioner for the United Kingdom, dated August 19, 1953 concerning a similar request received by the U.K. Minister in Korea.

Mr. Gandee points out that the United Kingdom authorities suggest the Republic of Korea Government be informed that Commonwealth forces would prefer to defer a financial settlement until a later stage when the final offset of liabilities on either side is possible and that payment should not be made in dollars. The suggestion is also made that the United States Government be informed of this line of action and should be given to understand that whatever the consequences, Commonwealth forces shall continue to look to the United Nations Funding

- 2 -

Officer to obtain and provide all hwan requirements of the B.C.F.K. without liability on the part of the Commonwealth for making any payment to the United States Government or for settling with the Republic of Korea Government until the final assessment of liabilities is made.

3. The suggestions of the United Kingdom with regard to settlement with the Republic of Korea Government would seem to be very close to the views expressed in your letter of June 24th, except perhaps for the question of not making payment in dollar funds. I should be grateful to have your advice on what reply should be made to the United Kingdom especially with regard to the question of payment of the settlement of our drawings of Korean currency in dollar funds.

J. G. H. HALSTEAD

Acting Under-Secretary of State
for External Affairs.

c.c. D/M of National Defence

OFFICE OF THE HIGH COMMISSIONER

FOR THE UNITED KINGDOM,

Earnscliffe, Ottawa.

S E C R E T

August 19, 1953.

Dear Mr. Wershof,

We have been informed that the United Kingdom Minister in Korea has reported the receipt of a letter from the Ministry of Foreign Affairs, dated July 16th, drawing attention to the financial agreement of July 28, 1950 between the United States and the Republic of Korea Government under which the United Nations Commander may transfer Korean currency provided for his use to forces of other countries under his command, and shall inform the Republic of Korea Government from time to time of amounts so transferred. The United Nations funding officer has informed the Republic of Korea Government that between July 1950 and April 30, 1953 won 24,651 million and hwan 60 million were so transferred to "forces of Great Britain". The equivalent at the conversion rates existing at the times relating, is United States dollars 4,503,055.57.

Since the United States Government has already repaid the balance of advances made to its forces, the Republic of Korea Government letter "anticipates that Government of Great Britain will similarly

- (i) repay at once the above sum for advances up to April 30th last, and
- (ii) make prompt dollar repayments for all future drawings of Korea currency".

The demand for repayment, which is of course in respect of the drawings used by all Commonwealth Forces and not merely United Kingdom Forces, is not unexpected in view of the United States agreement to reimburse the Republic of Korea Government for advances made to American Forces but the demand for repayment in dollars by Commonwealth Governments is of course presumptuous.

In the view of the United Kingdom authorities the signing of the Armistice does not of itself make it appropriate for payment to be made. In their opinion:

- (a) settlement should be deferred until a later stage when final offsetting of final liabilities on either side is possible;
- (b) there should then be offsetting of R.O.K. liabilities to Commonwealth;
- (c) we should be unalterably opposed to any payment of dollars.

M. H. Wershof, Esq.,
Department of External Affairs,
O t t a w a .

. . . 2

- 2 -

When Commonwealth units finally leave Korea it is quite possible that stores and supplies of material value may be left behind which should also be taken account of in offsetting arrangements. The result may well be that the final balance sheet would be in our favour.

The United Kingdom authorities therefore suggest that the Republic of Korea Government should be informed that Commonwealth Forces would prefer to defer the financial settlement. A settlement under the terms of the July 1950 Agreement (Article V which states that "such negotiations shall be deferred to a time mutually satisfactory to the respective Governments and the Government of the Republic of Korea") would in the view of the United Kingdom Government be better effected at a later stage when it is possible to make a general financial settlement covering all liabilities on either side arising out of operations in Korea. The United Kingdom Government would wish to consult the United Kingdom Minister in Korea about the timing of the reply to the Republic of Korea Government.

As the United States Government have already repaid the balance of advances made to their forces there is of course a danger that the Republic of Korea Government may, on being informed of our refusal to make some immediate settlement, take steps to abrogate the terms of the July 1950 Agreement. The United Kingdom authorities therefore consider it desirable that in the first place the United States Government should be informed of line of action it is proposed to take and should be given to understand that whatever the consequences we shall continue to look to United Nations Funding Officer to obtain and provide all hwan requirements of B.C.F.K. without liability on the part of the Commonwealth for making any payment to United States Government or for making any settlement with the Republic of Korea Government until final assessment of liabilities.

The United Kingdom authorities would be grateful to know as soon as possible whether the Canadian Government agree with the course of action proposed above.

Yours sincerely,

(sgd) J. S. Gandee.

CONFIDENTIAL

CMMFE 6-5-2 (A)

CANADIAN MILITARY MISSION
FAR EAST

TOKYO, Japan,

19 Aug 53

MEMO TO H.E. THE AMBASSADOR

*File in
Embassy file
210-7-3.*

L.R.
September 10th, 1953

KOREAN CURRENCY

1. Enclosed herewith, for your information and retention, are two copies of correspondence dealing with the marginally-noted subject.

J. A. Kellough Lt Col
(R.E.A. Morton) Brigadier
Commander
Canadian Military Mission
Far East

Received from Ambassador
September 8th, 1953
L.R.

CONFIDENTIAL

C
O
P
Y

CONFIDENTIAL

CEU FE/6-5-2

HEADQUARTERS

CANADIAN BASE UNITS, FAR EAST

KURE, Japan
13 Aug 53

Commander
Canadian Military Mission, Far East
TOKYO, Japan

Korean Currency

1 Attached hereto is a copy of Headquarters, Eritcom Forces Korea, letter FA/205 dated 11 Aug 53, to which is attached a copy of Financial Advisor representative's record of talks with HBM Minister and the Australian Delegation to UNCURK, and a copy of the agreement dated 28 Jul 50, to which the Ministry of Foreign Affairs refers.

Egd/ J.C. Laidlaw, Major
for (J.B. Allan) Colonel
Commander
Canadian Base Units, Far East

Encl

CONFIDENTIAL

C
O
P
Y

Financial Advisor,
Headquarters
British Com. Forces KOREA,
British Army P.O. No. 5

FA/205

11 August, 1953

Commander,
Headquarters,
Canadian Base Units, Far East.

Subject :- KOREAN CURRENCY

On the 15th July, 1953, the Minister of Foreign Affairs, Republic of Korea, submitted to H.E. The Minister for External Affairs, Government of Canada, Ottawa, a claim for reimbursement in dollars of advances of Korean currency.

Similar claims were submitted to the British and Australian Governments, and a representative of this office consequently visited Pusan for talks with H.B.M. Minister and the Australian Delegation to UNCURK.

For your information, two copies of my representatives record of these talks is enclosed, together with two copies of the Agreement dated 28th July, 1950 to which the Ministry of Foreign Affairs referred.

Brigadier,
Financial Adviser to C in C.

CONFIDENTIAL

RECORD OF TALKS WITH H.B.M. MINISTER, BRITISH LEGATION, PUSAN
(MR. W.G. GRAHAM C.B.E.) AND AUSTRALIAN DELEGATE TO UNCURK,
PUSAN (MR. T.K. CRITCHLEY), ON 4TH AND 5TH AUGUST, 1953.

1. My first talks were with the Minister.
2. I explained that the Defence Division, Dept. of the Treasury, Melbourne, had asked the Financial Adviser, B.C.F.K. for further information regarding the R.O.K. request that the Government of Great Britain -
 - (a) Repay at once the sum of 4,503,055.57 dollars for advances made up to 30th April, 1953 (incl).
 - (b) Make prompt dollar repayments for all future drawings of Korean currency.

Similar requests had been made to the Australian and Canadian Governments in respect of their drawings. The Financial Adviser appreciated that the whole matter was being dealt with at Diplomatic level, and the sole object of my visit was to obtain any further information or advice on the subject which the Minister might be able to provide for onward transmission to Melbourne.

3. The Minister stated that he had forwarded R.O.K. letter to the Foreign Office in London, and that in reply he had been advised that there would probably be some delay in reaching a decision and that he should send a formal acknowledgment of their letter to R.O.K. This he has now done.

4. I pointed out that although the R.O.K. letter asked for payment by "the Government of Great Britain", in fact the drawings by the U.K. Paymaster were to meet Australian and N.Z. currency requirements as well as those of U.K. (The Australian Paymaster had drawn Won himself at one stage but this had ceased as from January, 1952.. Canada, however, continued to draw its currency direct from the U.N. Funding Officer).. Any payment to the R.O.K. would be a charge to KOPA. Responsibility for this account rested with the Australian Government, though the prior sanction of the Governments concerned had to be obtained before applying any major decisions having a financial bearing.

5. The Minister thought that in the event of any negotiations taking place with a view to settling the R.O.K. claim, it would seem reasonable to bear in mind the fact that even if the exchange rate of 6,000 Won to 1 dollar was a fair one when it was assessed, it was certainly not so during much of the time that it was in operation. I supported this, and added that in December, 1952, the U.N. Command had also agreed that the Won/dollar exchange rate was out of balance in terms of comparative purchasing power. It might be fairer, I suggested, to reimburse the R.O.K. on the basis of the curb rate.

6. I put forward the view that during any negotiations the value of services rendered by the Army to R.O.K. might also be borne in mind with a view to off-setting them against the R.O.K. claim.

The following are examples :-

- (a) The cost of rations supplied to the K.S.C.
- (b) The cost of maintaining (feeding, clothing and equipping) KATCOM.
- (c) The value of goods which KATCOM had been allowed to buy (with Won) from unit canteens.

With regard to (a) and (b), the Minister considered that it

would first of all have to be verified that there was nothing in any agreements which had been made which debarred our raising such claims (para 17 below). On the whole he felt that unless there were indisputable grounds for raising a claim and unless the amounts were fairly large, then these were not points upon which to "haggle". Off-hand, I could not give any idea of the value of these services though I explained that we were assessing a capitulation rate to cover (b) above, and that our office was already in possession of an approximate figure.

7. I also suggested to the Minister that the Governments might be prepared to reimburse the R.O.K. in respect of certain items of expenditure only; they might feel, for example, that there were more grounds for reimbursing the R.O.K. with the value of troop exchanges, NAAFI exchanges, and issues to other Government Departments than with the wages of civilian labour and cost of RE works.

8. I asked the Minister whether he considered the present rate of 180 Hwan to 1 dollar reflected the true value of the dollar (green back). He replied that it did not. The curb value was somewhere between 250 and 300: the latter rate applied in Pusan. This agreed with figures quoted to me during visits which I paid to two shops in Seoul, viz.

<u>Article</u>	<u>Greenback</u>	<u>USMPC</u>	<u>Hwan</u>	<u>Equivalent to Hwan/Dollar</u> <u>Exchange rate of :-</u>
Watch	30	45	7800	260
Camera	40	55	11000	275

I understand that religious missions can now get 300 Hwan for 1 Dollar, having reached a maximum of 330 round about June, 1953.

9. The Minister stated that in February, 1953, the method of assessing the military conversion rate had been agreed between U.S. and R.O.K. as follows :-

Official Rate X Pusan Wholesale Price Index obtaining
at any given moment
Index obtaining in April, 1951.

This formula would produce an exchange rate of about 220 in May, 1953. The Minister had asked Mr. Tasca (President Eisenhower's Person, economic Envoy) how this figure reconciled with the rate of 180. Mr. Tasca had replied that the formula was only a guide and that there were other factors to be taken into account. Mr. Tasca had agreed that 180 did not in fact represent the true value of the dollar but did not consider that 180 was an unsatisfactory military conversion rate.

10. In a confidential report dated 12th June, 1953, sent by the British Legation to the Foreign Office, comments were made on the new conversion rate. The Minister agreed to my using the following extract, though it must be treated confidentially.

"The new dollar/Hwan "military conversion rate" came into force on June 2nd. On that day it was announced that the U.S. had refunded 6½ million dollars in settlement of local currency advanced since February 7th. The R.O.K. Government has refrained from stating officially that this new rate was now in force, but no serious attempt seems to have been made to prevent the truth from becoming known. Protests have been heard from various quarters, including the National assembly and the press, but so far the matter does not seem to have been pressed any further. As soon as the new rate became public knowledge, the open market rates of the dollar

greenback shot up from around Hwan 270 to Hwan 350 and the M.P.C. from about Hwan 170 to Hwan 250. They have since dropped to Hwan 320 and Hwan 220 respectively. Cost of living has also gone up slightly."

11. In reply to my question, the Minister stated that, if we had to buy our Hwan in future, it was unlikely that we would be able to obtain a better rate from the R.O.K. than that given to the Americans. I asked for his views on the possibility of obtaining our requirements from other sources, for example, from brokers against sterling cheque. The Minister considered that any such action would have to be approved by R.O.K., but that it might be a useful point to make during any negotiations with R.O.K.

12. The Minister agreed that the British Government would almost certainly resist payment in dollars.

13. In conclusion, I informed the Minister that the U.K. Paymaster had drawn 45 million Hwan which, with present stocks, should last until the end of September, 1953, and perhaps a little later.

14. I then visited Mr. Critchley and told him of the talks which I had had with the Minister. The only additional points which he wished to make are shown in the following paragraphs.

15. The British, Australian and Canadian Governments were not the only ones who had been asked to pay. He knew that a similar request had been sent to the Dutch Government: it was possible that all Governments concerned had been addressed on the subject.

16. He was proposing to visit Seoul on Friday in the hope of meeting Mr. Paik Tu Chin, the Prime Minister cum Finance Minister. He had a number of points to discuss with him, and hoped to be able to obtain a clearer picture of the general background to the R.O.K. request for these payments.

17. With regard to para 6 above, regarding KATCOM, Mr. Critchley stated that as a result of an exchange of letters with the Minister of National Defence (R.O.K.), Melbourne had agreed to the integration of Korean personnel into the Division and to assume responsibility for feeding, clothing and equipping them, and supplying them with arms on loan. R.O.K. were to pay their salaries and other items of expense. Mr. Critchley considered that we were thus debarred from raising this matter as a counter-claim. I promised to study the papers on the subject in this light - H.Q. reference is KB 1472 G dated 30 January, 1953, from General Bridgeford.

18. With regard to the curb values quoted in para 8 (i.e. between 250 and 300 Hwan to the dollar) Mr. Critchley felt that it was important to mention that Mr. Colm (an American economist) and Mr. Nathan (head of the Economic Mission employed by UNKRA) considered that in a move towards a free market economy a rate could be established at (round about) 240 Hwan to the dollar. (Mr. Critchley was talking without his files and thought that the actual figure which the economists quoted might have been slightly lower than 240).

19. Mr. Critchley then produced, as a matter of interest, a statement issued by the Office of Public Information (R.O.K.) dated 25th July, 1953. It stated that the Prime Minister issued the following statement on Friday :-

"Hwan Exchange Rate. When negotiating with the U.S. representatives the possible change of Hwan exchange rate for U.N. military personnel we said that we would consent to the proposed change provided that the U.S.

guarantee to help solve the consequent economic problems and agree to make the rate, once fixed, not subject to further change. Pending such guarantee, which did not come yet, the exchange rate continues to be 60 Hwan for 1 U.S. dollar. Apart from this, the official foreign exchange rate will be maintained on the present basis without being affected by whatsoever change taking place with regard to the rate for military personnel."

This statement is probably mainly for home consumption.

20. In conclusion, Mr. Critchley gave it as his opinion that the R.O.K. would press for the full amount of their claim, the only modification to which they might agree being to accept sterling instead of dollars.

L.J. HUMM.

11th August, 1953.

Distribution :-

M.A. to C in C. B.C.F.K.	(1)
Defence Div., Dept. of the Treasury, Melbourne	(2)
War Office (F.I.) London	(2)
British Embassy, Tokyo.	(1)
British Legation, Pusan	(2)
Australian Delegation to UNCURK, Pusan	(2)
H.A. Cdn. Base Units Far East	(2)
File	(4)

COPY

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF KOREA
REGARDING EXPENDITURES BY FORCES UNDER COMMAND
OF THE COMMANDING GENERAL ARMED FORCES OF THE
MEMBER STATES OF THE UNITED NATIONS.

Preamble

Object.

This agreement between the Government of the United States and the Government of the Republic of Korea shall govern the relationships with respect to provision and use of currency and credits between the Government and people of the Republic of Korea and forces operating in Korea under the Unified Command of the Commanding General of the Armed Forces of Member States of the resolution of the United Nations Security Council of June 25, 1950.

1. Local Currency Provided by the Republic of Korea.

The Government of the Republic of Korea shall provide the Commanding General of the Armed Forces of the Member States of the United Nations (hereinafter referred to as the Commanding General), with currency of the Republic of Korea and credits in such currency (hereinafter referred to as local currency and credits) in such amounts, of such types and at such times and places as he may request for expenditures arising out of operations and activities in Korea and Korean territorial waters involving participation of forces under his command.

2. Return of Local Currency and Cancellation of Credits.

The Commanding General may, at any time, return to the Government of the Republic of Korea all or any part of the local currency provided under paragraph 1 above, and request the cancellation of all or any part of any credits in such currency which may have been opened in his favor. Upon the termination of this Agreement, the Commanding General shall return to the Government of the Republic of Korea all local currency provided under paragraph 1 above remaining in his possession, and the unused portion of any credits which may have been opened in his favor shall be cancelled.

3. Use of Other Currencies.

It if should become desirable to use currency other than the local currency agreed to be provided under paragraph 1 above, the Commanding General may cause such currency to be used to the extent deemed appropriate.

4. Reports to the Republic of Korea.

If the Commanding General transfers local currency and credits to the Forces of other countries participating under his Command, the Government of the Republic of Korea shall be advised from time to time of such transfers.

Deferment of Settlement.

Settlement of any claims arising from the provision and use of currency and credits under the Agreement, including currency caused to be used under paragraph 3 above, shall take place directly between the Governments of the Forces concerned and the Government of the Republic of Korea. Such negotiations shall be deferred to a time or times mutually satisfactory to the respective Governments and the Government of the Republic of Korea. Where currency of the United States or of a third country has been transferred by the Commander in Chief to the Forces of third Governments, the right of the Government of the United States to make arrangements for reimbursement for such transfers directly with the recipient government shall not be prejudiced in any manner.

6. Maintenance of Records.

Records shall be maintained reflecting the amounts of currency and credits received and transferred under this Agreement, including the amounts of currency received and transferred under paragraph 3 above.

7. Effective date and termination.

This Agreement shall enter into operation and effect immediately upon the signature hereof and shall continue in effect until it is mutually agreed that the need there for has ceased.

8. Registration with the Secretary General of the United Nations.

This Agreement shall be registered with the Secretary General of the United Nations in compliance with the provisions of Article 102 of the Charter of the United Nations.

9. Superseding of Agreement of July 6, 1950.

This Agreement shall supersede the Agreement of July 6, 1950, between the United States Armed Forces in Korea and the Republic of Korea pursuant to which the Bank of Korea agreed to advance currency of the Republic of Korea to the Finance Officer, United States Forces in Korea, against reimbursement at the rate of exchange in effect on the date such currency is expended. Any currency advanced under the Agreement of July 6, 1950, shall be deemed to have been provided under this Agreement. This Agreement of July 6, 1950, is hereby abrogated.

Done in duplicate, in the English and Korean languages, at Taegu, Korea on this 28th day of July, 1950. The English and Korean texts shall have equal force, but in case of divergence, the English text shall prevail.

FOR THE GOVERNMENT OF THE
UNITED STATES:

/s/ John J. Muccio

FOR THE GOVERNMENT OF THE
REPUBLIC OF KOREA:

/s/ Soon Ju Chey.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO.....THE CANADIAN EMBASSY.....
.....TOKYO, JAPAN.....

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference:..Your despatch No. 787 of July 31, 1953

Subject:....Settlement of advances of Korean....
....Currency to the Canadian Forces.....
.....

Security:..Unclassified

No:.....D- 494

Date:....August 11, 1953.....

Enclosures:..2.....

Air or Surface Mail:.....

Post File No:..210-7-3 ✓

Ottawa File No.
10818-A-40

References

File
AUG 18 1953
LR.

We wish to inform you that we are taking up with the Department of Finance the request received by the Ambassador from the Minister of the Republic of Korea that the Canadian Government take steps to reach an immediate settlement for Korean currency advanced to the Canadian Forces in Korea through United States channels. We hope to advise you in the near future as to the reply to be given to the Korean Government.

2. In accordance with your request, you will find two copies of the material enclosed with your despatch No. 787.

Internal
Circulation



Benjamin Rogers
for Acting Under-Secretary of State
for External Affairs

Distribution
to Posts

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

DESPATCH

TO. THE SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.
THE CANADIAN AMBASSADOR, TOKYO, JAPAN
FROM;

Reference:
Subject: Settlement of advances of Korean
Currency to the Canadian forces.

Unclassified
Security:.....
No: 787
Date: July 31, 1953
Enclosures:.....
Air or Surface Mail:.....
Post File No:.....

Ottawa File No.	

References

This morning the Minister of the Republic of Korea called upon me in my office to hand me a note dated July 15 addressed to you in which he requested that the Canadian Government take steps to reach an immediate settlement for Korean currency advanced to the Canadian forces in Korea through United States channels. Mr. Kim explained that he was acting on the instructions of his Foreign Minister because Canada does not have direct diplomatic representation in Korea. In the covering letter which he handed to me at the time Mr. Kim said, "When you receive a reply thereto from the Canadian Government, I would be most happy to relay it to Foreign Minister Pyun."

2. In order to get this material into the bag leaving Tokyo this afternoon I have not had it copied. You will no doubt be making copies in any case in Ottawa and I should appreciate it if you would forward one of those copies to us as soon as they are run off. I shall be pleased, if you wish me to do so, to relay your reply to Mr. Kim for transmission to his Government.

Internal
Circulation

(Sgd.) R.W. Mayhew
The Ambassador.

Distribution
to Posts

THE REPUBLIC OF KOREA
Ministry of Foreign Affairs

Seoul, Korea
15 July 1953

Sir,

I am instructed by my Government to draw attention to Article 4 of the Agreement between the Government of the United States of America and the Government of the Republic of Korea regarding "Expenditures by forces under command of the Commanding General Armed Forces of the Member States of the United Nations" dated 28 July 1950. A copy of this Agreement is appended for your information.

It will be seen that the Commanding General may transfer local currency and credits to the Forces of other countries under his command. The Government of the Republic of Korea has been notified, by the United Nations Funding Officer, that during the period from July 1950 to 30 April 1953 inclusive the sum of Won 2,425,000,000 and Hwan 2,500,000 has been so transferred to the Forces of Canada. The United States dollar equivalent of this sum, computed at the conversion rates existing at the time of withdrawals, is \$418,372.22. (Please see Tables attached. These Tables were prepared from data supplied by the United Nations Funding Officer).

As Your Excellency may be aware, the Government of the United States of America has already repaid in dollars (at the conversion rates abovementioned) the balance of all advances to its own Forces made to date and now draws Korean currency as and when required, making prompt monthly repayments in dollars.

My Government thus anticipates that the Government of Canada will agree similarly to repay the issues of Korean currency to its Forces. That is to say:

- (i) will repay at once the sum of \$418,372.22 for advances made up to 30 April 1953 inclusive;
- (ii) will make prompt dollar repayments for all future drawings of Korean currency.

Drafts should be made payable to the Government of the Republic of Korea at the Bank of Korea, Seoul, Korea.

- 2 -

Despite the financial and material aids given by the United Nations, Korea's war-ravaged economy is most critically strained. I would thus esteem it a favour if Your Excellency would urge your Government to make repayment at the earliest possible moment and to agree that all drawings made and to be made subsequent to 30 April 1953 will be reimbursed promptly in future.

With highest esteem,

I have the honour to be, Sir,

Yours very faithfully,

(Sgd.) PYUN YUNG TAI
Minister of Foreign Affairs
Republic of Korea

H.E. the Minister for External Affairs
Government of Canada
Ottawa, Canada

c.c. to:

The Commander-in-Chief
British Commonwealth Forces in Korea
C/o Headquarters
Eighth United States Army

Her Britannic Majesty's Minister
British Legation
Pusan

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF KOREA

REGARDING EXPENDITURES BY FORCES UNDER COMMAND
OF THE COMMANDING GENERAL ARMED FORCES OF THE
MEMBER STATES OF THE UNITED NATIONS

Preamble

Object.

This agreement between the Government of the United States and the Government of the Republic of Korea shall govern the relationships with respect to provision and use of currency and credits between the Government and people of the Republic of Korea and forces operating in Korea under the Unified Command of the Commanding General of the Armed Forces of Member States of the resolution of the United Nations Security Council of June 25, 1950.

1. Local Currency Provided by the Republic of Korea.

The Government of the Republic of Korea shall provide the Commanding General of the Armed Forces of the Member States of the United Nations (hereinafter referred to as the Commanding General), with currency of the Republic of Korea and credits in such currency (hereinafter referred to as local currency and credits) in such amounts, of such types and at such times and places as he may request, for expenditures arising out of operations and activities in Korea and Korean territorial waters involving participation of forces under his Command.

2. Return of Local Currency and Cancellation of Credits.

The Commanding General may, at any time, return to the Government of the Republic of Korea all or any part of the local currency provided under paragraph 1 above, and request the cancellation of all or any part of any credits in such currency which may have been opened in his favor. Upon the termination of this Agreement, the Commanding General shall return to the Government of the Republic of Korea all local currency provided under paragraph 1 above remaining in his possession, and the unused portion of any credits which may have been opened in his favor shall be cancelled.

3. Use of Other Currencies.

If it should become desirable to use currency other than the local currency agreed to be provided under paragraph 1 above, the Commanding General may cause such currency to be used to the extent deemed appropriate.

4. Reports to the Republic of Korea.

-2-

If the Commanding General transfers local currency and credits to the Forces of other countries participating under his Command, the Government of the Republic of Korea shall be advised from time to time of such transfers.

5. Deferment of Settlement.

Settlement of any claims arising from the provision and use of currency and credits under the Agreement, including currency caused to be used under paragraph 3 above, shall take place directly between the Governments of the Forces concerned and the Government of the Republic of Korea. Such negotiations shall be deferred to a time or times mutually satisfactory to the respective Governments and the Government of the Republic of Korea. Where currency of the United States or of a third country has been transferred by the Commander in Chief to the Forces of third Governments, the right of the Government of the United States to make arrangements for reimbursement for such transfers directly with the recipient government shall not be prejudiced in any manner.

6. Maintenance of Records.

Records shall be maintained reflecting the amounts of currency and credits received and transferred under this Agreement, including the amounts of currency received and transferred under this Agreement, including the amounts of currency received and transferred under paragraph 3 above.

7. Effective date and termination.

This Agreement shall enter into operation and effect immediately upon the signature hereof and shall continue in effect until it is mutually agreed that the need there for has ceased.

8. Registration with the Secretary-General of the United Nations.

This Agreement shall be registered with the Secretary-General of the United Nations in compliance with the provisions of Article 102 of the Charter of the United Nations.

9. Superseding of Agreement of July 6, 1950.

This Agreement shall supersede the Agreement of July 6, 1950, between the United States Armed Forces in Korea and the Republic of Korea pursuant to which the Bank of Korea agreed to advance currency of the Republic of Korea to the Finance Officer, United States Forces in Korea, against reimbursement at the rate of exchange in effect on the date such currency is expended. Any currency advanced under the Agreement of July 6, 1950, shall be deemed to have been provided under this Agreement.

The Agreement of July 6, 1950, is hereby abrogated.

- 3 -

Done in duplicate, in the English and Korean languages, at Taegu, Korea on this 28th day of July, 1950. The English and Korean texts shall have equal force, but in case of divergence, the English text shall prevail.

FOR THE GOVERNMENT OF THE
UNITED STATES:

/s/ John J. Muccio

FOR THE GOVERNMENT OF THE
REPUBLIC OF KOREA:

/s/ Soon Ju Chey

STATEMENT SHOWING MILITARY CONVERSION RATE
PREVAILING AT TIME WITHDRAWALS WERE MADE
AS OF 30 APRIL 1953

PERIOD	PREVAILING MILITARY CONVERSION RATE
Jul 50 - 30 Sep 50	W1800 to US\$1
1 Oct 50 - 5 Nov 50	W2500 to US\$1
6 Nov 50 - 9 Mar 51	W4000 to US\$1
10 Mar 51 - 16 Feb 53	W6000 to US\$1
17 Feb 53 - 30 Apr 53	HW 180 to US\$1

NOTE:

- W - Won, the unit of currency up to 16 Feb 1953
HW - Hwan, the new unit of currency from 17 Feb 1953
onwards (1 Hwan - 100 Won)

STATISTICAL DATA OF ROK HWAN ISSUED TO CANADA

Period: July 1950 - April 1953

1. In terms of US Dollar at prevailing Military Conversion rates:

a.	@ W1800 to US\$1	W	None	-	US\$	none
b.	@ W2500 to US\$1	W	1,000,000	-		400.00
c.	@ W4000 to US\$1	W	1,000,000	-		250.00
d.	@ W6000 to US\$1	W	2,423,000,000	-		403,833.33
e.	@ HW180 to US\$1	HW	2,500,000	-		<u>13,888.89</u>
f.	TOTALS	W	2,425,000,000	-	US\$	418,372.22
		HW	2,500,000	-		

2. Totals by month and US Dollar equivalents:

a.	Jul 50 - Dec. 51	W	455,000,000	-	US\$	76,150.00
b.	Jan. 52 - Dec. 52	W	1,470,000,000	-		245,000.00
c.	Jan. 53	W	500,000,000	-		83,333.33
d.	Feb. 53	W	None	-		None
e.	Mar. 53	HW	2,500,000	-		13,888.89
f.	Apr 53		None	-		<u>None</u>
g.	TOTALS	W	2,425,000,000	-	US\$	418,372.32
		HW	2,500,000	-		

R. L. Rogers/r

Ext. 129B

FILE COPY

OTTAWA FILE

No.

Letter No. 820

Date. August 10, 1953.

SECURITY CLASSIFICATION

CONFIDENTIAL

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN

TO: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Reference. Mr. Mayhew's Despatch No. 787 of July 31, 1953

Subject: Settlement of advances of Korean Currency to the Canadian forces.

After the Ambassador's departure we received from the Canadian Military Mission, Far East, a copy of a letter sent to that headquarters by the Commander, Canadian Base Units Far East, concerning the settlement of advances of Korean currency to the Canadian forces in Korea. A copy of that letter, dated July 31, is attached.

2.1 The precaution of drawing sufficient Korean currency to meet requirements for August and September appeared to us to be a perfectly proper step to take. We were, however, somewhat apprehensive about the freedom with which the letter from the Korean Minister for Foreign Affairs to the Secretary of State for External Affairs was being bandied about, containing, as it did, a statement of Korean claims against Canada. We were also doubtful about the wisdom of taking too firm a line on the subject of the justice of Korean claims or the rate of exchange used by the United States in the settlement it made. Even though the Korean figures might be inflated, it seemed to us that neither HQ BCFK nor any other military headquarters was in a position to make a statement on this subject until the views of the Canadian Government were made known. We therefore took the precaution of warning the Military Mission through its head, who is also Military Advisor to the Embassy, not to leave Canadian military officers free to discuss the justice of Korean claims. A copy of the Embassy's memorandum, dated August 5, and the Military Mission's reply, dated August 6, is enclosed.

R. L. ROGERS

The Embassy.

Copies Referred

To.

No. of Enclosures

3

Post File

No. 210-7-3 ✓

CMMFE 6-5-2 (A)

CANADIAN MILITARY MISSION
FAR EAST

TOKYO, Japan,

6 Aug 53

File

To: Canadian Embassy

August 10th, 1953

SETTLEMENT FOR DRAWINGS OF KOREAN CURRENCY

LR

1. Reference your memorandum dated 5 Aug 53 in connection with a letter received from HQ Canadian Base Units, Far East, on the subject of Korean Currency.
2. It is pointed out that the Commander of the Canadian Base Units, Far East, has not expressed any opinion but merely passed on four points at the request of the Financial Advisor BCFK.
3. The points in your memorandum will be brought to the attention of the Commander, Canadian Base Units, Far East, to ensure he understands the position.

R. E. A. Morton
(R.E.A. Morton) Brigadier
Commander
Canadian Military Mission
Far East



File

File 210-7-3

August 5, 1953.

CONFIDENTIAL

MEMORANDUM FOR THE MILITARY ADVISOR

Settlement for drawings of
Korean Currency

I have just seen the copy of the letter of July 31 addressed to you by the Commander, Canadian Base Units Far East, concerning the note addressed to the Secretary of State for External Affairs by the Foreign Minister of Korea. The original of this note was left with the Ambassador last week by the Korean Minister and has been sent to Ottawa.

2. There will be consultations in Ottawa between the Departments of External Affairs, National Defence, and Finance concerning the reply to be given to the note. I am a little bit apprehensive, from the tone of the letter from the Commander, Canadian Base Units, that his views might be made known to the Koreans. If this were to happen, after the Koreans have taken the matter up on a government-to-government basis, they would have some grounds for feeling offended. I would hope, therefore, that the Commander, Canadian Base Units, and the officers of his staff, would be careful not to make their views known to the Koreans directly or through BCFK. It is always open to them to deflect any enquiries by saying that the matter is under discussion on a government-to-government basis.

3. The "ridiculously low" rate of exchange referred to by the Commander, Canadian Base Units, was obviously used by the U.S. negotiators as a means of affording economic aid to Korea. It is not beyond the bounds of possibility that Canada might agree to take a similar view of Korean claims. It would, in consequence, not be safe for any officer to dispute the basis of the settlement between the U.S. and Korea until the views of the Canadian Government have been made known.

R. L. ROGERS

R.L. Rogers.

000267



CANADIAN LIAISON MISSION



TOKYO,

Ext. 180 D

OTTAWA FILE

No.

Despatch No. 787

Date.... July 31, 1953

SECURITY CLASSIFICATION

UNCLASSIFIED

FROM: THE CANADIAN AMBASSADOR, TOKYO, JAPAN

TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Reference.....

Subject:.... Settlement of advances of Korean Currency to the Canadian forces.

Copies Referred

To.....

.....

.....

.....

.....

.....

.....

No. of Enclosures

..... 1

Post File

No. 210-7-3 ✓

This morning the Minister of the Republic of Korea called upon me in my office to hand me a note dated July 15 addressed to you in which he requested that the Canadian Government take steps to reach an immediate settlement for Korean currency advanced to the Canadian forces in Korea through United States channels. Mr. Kim explained that he was acting on the instructions of his Foreign Minister because Canada does not have direct diplomatic representation in Korea. In the covering letter which he handed to me at the time Mr. Kim said, "When you receive a reply thereto from the Canadian Government, I would be most happy to relay it to Foreign Minister Pyun."

2. In order to get this material into the bag leaving Tokyo this afternoon I have not had it copied. You will no doubt be making copies in any case in Ottawa and I should appreciate it if you would forward one of those copies to us as soon as they are run off. I shall be pleased, if you wish me to do so, to relay your reply to Mr. Kim for transmission to his Government.

ORIGINAL SIGNED BY
R. W. MAYHEW

The Ambassador

file 210-7-3

CEU FE/6-23-3

HEADQUARTERS
CANADIAN BASE UNITS - FAR EAST

KURE, Japan
31 Jul 53

Commandor
Canadian Military Mission
Tokyo, Japan

KOREAN CURRENCY
WON - HUAN ACCOUNTING

1. Attached hereto for your information are copies of letters despatched by the Minister of Foreign Affairs, Republic of Korea to the External Affairs Departments of Britain, Canada and Australia.
2. Attached to each of these letters is a table giving statistical data of WON/HUAN issued to the countries concerned.
3. These letters are forwarded to you at the request of the Financial Advisor BCFK, who has also requested that the following information be passed to you:
 - (a) It is not agreed that all WON is reimbursable.
 - (b) The rate which the Americans used is considered to be ridiculously low.
 - (c) HQ BCFK has claims against Korea.
 - (d) The Financial Adviser has suggested to BCFK Paymasters that they draw sufficient HUAN now to cover all August and September requirements in case of arguments or delays in agreement and settlement.

(Sgd) J C Laidlaw Major
for: (J. E. Allan) Colonel
Commandor
Canadian Base Units - Far East

JCL/tjd
encls.

→ Canadian Embassy

Herewith copy of letter
from Canadian Base Units
for information. Passed
to Field Cashier for action



CANADIAN MILITARY
MISSION
FAR EAST
6-AUG-53

THE REPUBLIC OF KOREA
Ministry of Foreign Affairs

SEOUL, Korea
15 Jul 1953.

Sir,

I am instructed by my Government to draw attention to Article 4 of the Agreement between the Government of United States of America and the Government of the Republic of Korea regarding "Expenditures by forces under command of the Commanding General Armed Forces of the Member States of the United Nations" dated 28 JULY 1950. A copy of this Agreement is appended for your information.

It will be soon that the Commanding General may transfer local currency and credits to the Forces of other countries under his command. The Government of the Republic of Korea has been notified, by the United Nations Funding Officer, that during the period from JULY 1950 to 30 April 1953 inclusive the sum of Won 2,425,000,000 and HWAN 2,500,000 has been transferred to the Forces of Canada. The United States dollar equivalent of this sum, computed at the conversion rates existing at the time of withdrawals, is \$418,372.22 (Please see tables attached. These Tables were prepared from data supplied by the United Nations Funding Officer).

As your Excellency may be aware, the Government of the United States of America has already repaid in dollars (at the conversion rates above mentioned the balance of all advances to its own Forces made to date and now draws Korean currency as and when required.

My Government thus anticipates that the Government of Canada will agree similarly to repay the issues of Korean currency to its forces. This is to say:

- (i) will repay at once the sum of \$418,372.22 for advances made up to 30 April 1953 inclusive.
- (ii) will make prompt dollar repayments for all future drawings of Korean currency

Drafts should be made payable to the Government of the Republic of Korea at the Bank of Korea, Seoul, Korea.

Despite the financial and material aids given by the United Nations, Korea's war ravaged economy is most critically strained. I would thus esteem it a favour if Your Excellency would urge your Government to make repayment at the earliest possible moment and to agree that all drawings made and to be made subsequent to 30 April 1953 will be reimbursed promptly in future.

With highest esteem.

I have the honour to be, Sir

Yours very faithfully

PYUN YUNG TAI
Minister of Foreign Affairs
Republic of Korea.

H.E. The Minister of External Affairs
Government of Canada
Ottawa, Canada.

STATISTICAL DATA OF ROK HUAN ISSUED TO CANADA

Period: July, 1950 - April, 1953

1. In terms of US Dollar at prevailing Military Conversion Rates:

a.	C/1800 to US \$1.	✓	None	US \$	None
b.	C/2500 to US \$1.	✓	1,000,000		400.00
c.	C/4000 to US \$1.	✓	1,000,000		250.00
d.	C/6000 to US \$1.	✓	2,423,000,000		403,833.33
e.	CH/180 to US \$1.	✓	2,500,000		13,888.89
f.	TOTALS	✓	2,425,000,000		418,372.22

2. Totals by month and US Dollar Equivalents

a.	JUL 50 - DEC 51	✓	455,000,000		76,150.00
b.	JAN 53 - DEC 52	✓	1,470,000,000		245,000.00
c.	JAN 53	✓	500,000,000		83,333.33
d.	FEB 53	✓	None		None
e.	MAR 53	HM	2,500,000		13,888.89
f.	APR 53		None		None
g.	TOTALS	✓	2,425,000,000	US \$	418,372.32
		HM	2,500,000		

210-7-3

REPUBLIC OF KOREA

KOREAN MISSION IN JAPAN

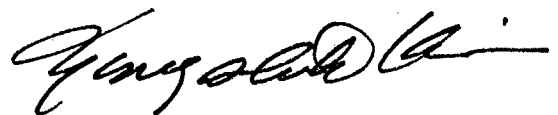
July 30, 1953

Excellency,

I have the honor to transmit herewith a letter from Foreign Minister Yung Tai Pyun of the Republic of Korea addressed to His Excellency Minister for External Affairs Lester B. Pearson, the Government of Canada, regarding repayments of 'Won' advanced to the Canadian Forces in Korea, assigned to the United Nations Command.

When you receive a reply thereto from the Canadian Government, I would be most happy to relay it to Foreign Minister Pyun.

Accept, Excellency, the assurances of my highest consideration.



Yong Shik Kim
Minister
Chief of Mission

Enclosure:


Letter from Minister Pyun
to H.E. Canadian Minister
for External Affairs

His Excellency
Robert W. Mayhew
Canadian Ambassador
TOKYO



000273

TRANSMITTAL SLIP

TO:  CANADIAN EMBASSY, TOKYO, JAPAN

Security.....**CONFIDENTIAL**.....

Date.....**June 30, 1953**.....

FROM: **Under-Secretary of State for**

Air or Surface...**Air**.....


External Affairs

No. of enclosures.....**1**.....

The documents described below are for your information.

Despatching Authority. **Def. Liaison 1/P.A. Beaulieu/lm**

210-7-1 ✓

Copies	Description	Also referred to:
1	<p>Letter No. D-707 of June 25, 1953, to Washington.</p> <p>SUBJECT: US-ROK Agreement on Settle- ment of Advances of Korean currency.</p> <p>CIRCULATE TO --</p> <p>The Ambassador, <i>From</i></p> <p>Mr. Rottier,</p> <p>Mr. Bertland & FILE</p> <p>JUL - 5 1953 LR</p>	<p>London Tokyo</p> 

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

NUMBERED LETTER

To CANADIAN EMBASSY, WASHINGTON, D.C.

Security: CONFIDENTIAL

No: D-707

Date: June 25, 1953

Enclosures:

Air or Surface Mail: Air

Post File No:

Ottawa File No.

10818-A-40

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference: Your letter No. 1176 of June 12, 1953

Subject: United States - Republic of Korea
Agreement on Settlement of Advances
of Korean Currency.

References

D/M Nat. Def.
B/M Finance
Dir. Army Budget

We wish to thank you for the full report on your conversations with U.S. Treasury officials on the above subject. The information and your comments were very useful to those concerned here with this matter.

With respect to the question of negotiating a settlement of the Canadian account with the Korean Government, the views expressed by the Department of Finance in its letter dated June 24 will no doubt be of interest to you.

"On reviewing the situation, we are inclined to feel that, apart from the present situation in Korea, it would be undesirable at the present time to open negotiations with the Korean Government for settlement of our drawings of Korean currency. There is some evidence that there may be other claims by the Korean Government to be dealt with. If other claims are made, there would be some advantage in dealing with them at the same time."

Internal
Circulation

Economic Div.
Far Eastern Div.
Legal Div.

Distribution
to Posts

London
Tokyo.

M. H. WERSHOF

FOR THE

Under-Secretary of State
for External Affairs.

TRANSMITTAL SLIP

TO: **CANADIAN EMBASSY, TOKYO, JAPAN**.....

Security...**CONFIDENTIAL**.....

Date.....**June 19, 1953**.....

FROM:.....**Under-Secretary of State**.....

Air or Surface..**Air**.....

.....**for External Affairs.**.....

No. of enclosures...**4**.....

The documents described below are for your information.

Despatching Authority.**De.f.. Liaison 1/P.A.. Beaulieu/lm**



Copies	Description	Referred to:
1	Letter No. 1176 of June 12, 1953, from Washington.	210-7-1 ✓ Circulate to MUN. Ref. 1953 Buy. Motion Ref. L.R. London Ref. L.R. JUN. 29 1953
1	Exchange of Notes dated May 24, 1952, between Hon. C.E. Meyer and Korean Minister of Finance.	
1	Confidential Note of Understanding agreed to between U.S. and ROK.	
SUBJECT: U.S.- ROK Agreement on Settlement of Advances of Korean currency.		

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

"Total"

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

CONFIDENTIAL

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.
THE CANADIAN EMBASSY, WASHINGTON, D.C.
FROM:

Security:.....
1176

No:.....

June 12, 1953.

Date:.....

Enclosures:.....

Air or Surface Mail:.....

Post File No:.....

.....
Your D-564 of May 23, 1953.
Reference:.....
Subject:.....
United States-Republic of Korea
Agreement on Settlement of Advances of
Korean Currency.
.....

Ottawa File No.
10818-A-40

References

Enclosed are copies of the following documents:

- (a) Exchange of Notes dated May 24, 1952 between the Hon. Clarence E. Meyer and the Hon. Paek Tu-chin, Korean Minister of Finance, setting out an agreed basis of settlement for Korean currency advances to the United States under the terms of the Financial Agreement of July 28, 1950; and
- (b) A Confidential Note of Understanding agreed to by Admiral Hanlon for the United States and Hon. Paek Tu-chin, for the Republic of Korea, covering the published U.S.-R.O.K. exchange of notes of February 25, 1953.

2. The enclosed documents, together with the text of the notes exchanged on 25th February, 1953 (which you already have), constitute the formal basis for the final settlement of all won drawings on United States account up to February 7, 1953, which was the date that the old won currency was superseded by the new hwan. As you know, the notes of February 25th provided for a final payment of \$85.8 million.

3. These formal documents, however, do not reveal how the negotiators arrived at the figure of \$85.8 million as the amount which, together with previous payments on account, should constitute full payment by the United States for all won advances prior to February 7, 1953. The gaps in the story have now been filled in for us by Treasury officials, who also gave us the rates at which new hwan currency has been purchased subsequent to February 7, 1953.

4. The Treasury advises that in calculating the final settlement drawings of won made prior to December 15, 1952 were converted to United States dollars in accordance with the following schedule:

<u>Date of Drawing</u>	<u>Won per U.S. dollar</u>
June 30/50 to Sept. 30/50	1,800
Oct. 1/50 to Nov. 5/50	2,500
Nov. 6/50 to Mar. 9/51	4,000
Mar. 10/51 to Dec. 15/52	6,000

Internal
Circulation

Distribution
to Posts

000279

-2-

In commenting on this schedule of conversion rates, U.S. officials pointed out that:

- (a) in the final settlement the date on which won were drawn governed the rate applicable. This made the final payment larger than it would have been if the rate had been taken as of the date of expenditure, which had been the rule followed in computing interim payments; and
- (b) as provided for in paragraph 4 of the United States note of May 24, 1952, it was assumed that during the period from June 30, 1950 to December 15, 1952, ninety percent of the military expenditures made by the U.S. forces in Korean currency were on U.S. account and ten percent on Korean account. Consequently, in computing the total debt, the above conversion rates were applied to 100% of the won issued to U.S. troops and 90% of the won expended by the U.S. forces for military purposes during this period.

5. The United States secured additional supplies of won (about 50,000 million) between the original cut-off date of December 15, 1952 and the issue of the new hwan currency on February 8, 1953. For these won the U.S. negotiators agreed to a lump sum settlement of exactly \$3 million. In arriving at this \$3 million figure, a conversion rate of 18,000 won to the U.S. dollar was used as the primary basis, but it was not adhered to strictly. The United States negotiators first secured Korean agreement to the principle that a realistic conversion rate should be applied, and that 18,000 to one represented a realistic rate. Then, after establishing the principle, they tempered the strict arithmetic with generosity in two respects; first, they agreed to pay for all U.S. won drawings during this period, including those expended on Korean account; second, after making a calculation on the 18,000 to one basis and arriving at a figure of somewhat less than \$3 million, they agreed to round it upward to \$3 million.

6. By adding \$3 million for won secured in the period from December 15, 1952 to February 7, 1953 and the sub-totals for previous periods arrived at by applying the conversion rates set out in paragraph 4 above, the negotiators arrived at a grand total of between \$159 million and \$160 million. Interim payments had been approximately \$74 million. After giving the Koreans the benefit of the doubt on borderline items, it was agreed that the balance outstanding for all U.S. won drawings to February 7, 1953 was \$85.8 million. The United States paid this amount to the Republic of Korea Government promptly after the February 25, 1953 exchange of notes.

7. During the period from February 8th to 25th, 1953, the United States purchased a small amount of hwan currency from the Bank of Korea for cash at the new "official" rate of 60 hwan to the dollar. However, this was a transaction completely outside the scope of the Financial Agreement.

8. The Agreement of February 25, 1953 and the Confidential Note of Understanding regarding it provided that thereafter hwan drawings should be settled for on a monthly basis at a

-3-

realistic conversion rate which would be subject to quarterly review. The first settlement, however, would apply to the period from February 25 to April 30. The Confidential Note provided in part that "the military conversion rate will be established so as to bear the same ratio to the Pusan wholesale index as the ratio which existed in April 1951 between the military conversion rate and the Pusan wholesale price index". It was also provided that when recommended by the Combined Economic Board other pertinent factors would be taken into consideration.

9. United States Treasury officials say that for the period February 26 to April 30, 1953 the level of the Pusan wholesale price index indicated that a conversion rate of about 220 hwan to the dollar would be appropriate under the formula. Actually, after taking account of other factors, (chiefly Korean pleas on the basis of need) agreement was reached late in May that for the period February 26 to April 30, payment would be made, and it has now been made, at the rate of 180 hwan to the dollar. It is the present U.S. intention to make payment for drawings in May and June at the same rate, subject to review and possible adjustment when the July payment is made.

10. The R.O.K. Government has requested that the provision for quarterly review of the conversion rate be dropped, implying that they want the 180 to one rate to continue indefinitely. However, the U.S. authorities have replied that they must insist on the right to review the rate periodically in the light of changing conditions.

11. During the period from December 1952 until the end of May 1953, the U.S. military authorities in Korea continued to charge the troops for issues of Korean currency at the "official" rates: i.e., 6,000 won to the dollar until February 7, and 60 hwan to the dollar thereafter. Commencing June 1st, the troops have been issued hwan at a rate of 180 to one. The R.O.K. Government pleaded that the new rate be kept secret, and the U.S. authorities agreed not to publicize it any more than necessary. However, the rate at which hwan are issued to the troops could not, of course, be kept secret, and references to it have already appeared in the United States press.

12. If the U.S.-R.O.K. settlement is to be used as a precedent, it would appear to furnish unambiguous guides as to the conversion rates between U.S. dollars and Korean currency during each of four distinct periods prior to December 15, 1952, and the period since February 25, 1953. For the period between those dates, the precedent is less clear. No doubt the R.O.K. Government would argue that the rate was 6,000 units of old currency or 60 units of new currency per U.S. dollar. On their side of the case they could point to the rates at which local currency was issued to the U.S. troops, and to the rate charged by the Bank of Korea. On the other hand, the basic fact is that in the final settlement under the exchange of notes of February 25, 1953, it was agreed that the conversion rate for old currency won furnished after December 15, 1952 should be 18,000 to the U.S. dollar.

(Sgd.)

The Embassy.

May 24, 1952.

Excellency:

I have the honor to refer to the Agreement on Economic Coordination between the Republic of Korea and the United States of America executed this date at Pusan, Korea; to the Agreement between the United States of America and the Republic of Korea Regarding Expenditures by Forces under command of the Commanding General of the Armed Forces of Member States of the United Nations (July 28, 1950, Financial Agreement) executed at Taegu, Korea, July 28, 1950; and to the Agreement on Aid between the United States of America and the Republic of Korea signed at Seoul, Korea, December 10, 1948.

2. It is the understanding of the Government of the United States of America that the provisions of the December 10, 1948, Agreement on Aid, referred to above, which relate to consultation with and concurrence of the United States Aid Representative in the allocation and expenditure of foreign exchange, are inconsistent with the Agreement on Economic Coordination, referred to above, and it is agreeable to the Government of the United States of America that such former inconsistent provisions be regarded as superseded.

3. I now have the honor to inform you that the Government of the United States of America is prepared, conditioned upon acceptance by the Government of the Republic of Korea of the proposals contained in paragraphs 4 and 5 below:

a. To make prompt, full and final settlement with the Government of the Republic of Korea, at the conversion rate at which sold, for all Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, referred to above, which has been sold by the United Nations Command prior to May 1, 1952, to personnel of the forces of the United States of America, insofar as settlement has not yet been made; and

-2-

b. To make prompt, full and final settlement with the Government of the Republic of Korea, at a conversion rate of 6,000 won per United States dollar, for all Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, which has been used by the United States of America for its bona fide military expenditures subsequent to December 31, 1951, and prior to June 1, 1952; and

c. Contingent upon continuation of reasonable efforts on the part of your Government to achieve economic and financial stability in accordance with the provisions of the Agreement on Economic Coordination:

(1) Subsequent to May 31, 1952, to pay to the Government of the Republic of Korea the sum of \$4,000,000 per month on account to be applied in settlement for Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, used for bona fide military requirements of the forces of the United States of America, such amount to be subject to revision upon material change in volume of won drawings or other factors; and

(2) Subsequent to April 30, 1952, to pay to the Government of the Republic of Korea monthly, within sixty (60) days of the month in which sold, at the conversion rate at which sold, a sum equal to the amount of Korean currency sold in such month by the United Nations Command to personnel of the forces of the United States of America; and

(3) As soon as practicable after March 31, 1953, to make full and final settlement with the Government of the Republic of Korea for all Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, used by the United States of America for bona fide military requirements subsequent to May 31, 1952, and prior to April 1, 1953; and to

-3-

make similar full and final settlements after each subsequent thirty-first day of March for Korean currency, so advanced, used by the United States of America for bona fide military expenditures in twelve-months periods subsequent to March 31, 1953. In the full and final settlements to be made under this numbered sub-paragraph, the United States will determine realistic conversion rates for the ten-months or twelve-months period for which settlement is made, taking into account changes in all relevant factors since the conversion rate used for the preceding period was first established. Suitable consultations between the United States of America and the Republic of Korea will be initiated as early as practicable before any change in the conversion rate is announced.

4. It is proposed that in all settlements for bona fide military requirements, provided for in paragraph 3, above, the amount of such bona fide military requirements of the forces of the United States of America shall be, for the purposes of such settlements, ninety per centum (90%) of the total amount of Korean currency, advanced under the July 28, 1950, Financial Agreement, which was used, in the period for which settlement is made, by the United States of America for all purposes other than for sale to personnel of the forces of the United Nations Command. The remaining ten per centum (10%) of such total amount shall be regarded for all purposes by the United States of America and the Republic of Korea as being won disbursements made to cover indigenous costs on projects of benefit solely to the Republic of Korea and as having been properly expended as a contribution of the Republic of Korea to the combined effort in Korea.

5. In order to facilitate stabilization of the Korean economy, it is proposed:

a. That all advances of Korean currency made heretofore or hereafter by the Government of the Republic of Korea.

-4-

under the July 28, 1950, Financial Agreement be assumed by the Government of the Republic of Korea as an overdraft of the Government of the Republic of Korea at the Bank of Korea; and

b. That foreign exchange or other foreign credit received by the Government of the Republic of Korea as payment hereunder be used in accordance with the provisions of Article III, Clause 9 of the Agreement on Economic Coordination; and

c. That the proceeds derived from the sale of such foreign exchange or foreign credit and from the sale of imports derived from such exchange be applied against any then-existing overdrafts of the Government of the Republic of Korea and upon the Bank of Korea; and

d. That the special account established pursuant to Article I of the Initial Financial and Property Settlement between the Government of the Republic of Korea and the Government of the United States of America, dated September 11, 1948, be applied against existing overdrafts of the Government of the Republic of Korea at the Bank of Korea; and

e. That the counterpart fund, the aid supplies account, and related funds and accounts, established pursuant to the December 10, 1948, Agreement on Aid or resulting from that Agreement or from the sale of goods provided under that Agreement, and the proceeds of future sales of goods provided under that Agreement, be applied first against the Aid Supplies Overdraft of the Government of the Republic of Korea at the Bank of Korea and then against other existing overdrafts of the Government of the Republic of Korea at the Bank of Korea.

6. It is the understanding of the Government of the United States that settlements specified above are without prejudice to the settlement of any other claims arising from

-5-

the provision and use of currency and credits under the July 28, 1950, Financial Agreement, for periods prior to January 1, 1952, insofar as such settlement has not heretofore been made.

Accept, Excellency, the assurance of my highest consideration.

Minister and Special Representative
of the President of the United
States of America.

The Honorable PAEK Tu-chin
Minister of Finance
Republic of Korea.

May 24, 1952.

Excellency:

I have the honor to refer to your note of May 24, 1952 in which you inform that the Government of the United States is prepared, upon the acceptance of my Government of certain proposals contained therein, to make certain final settlements and certain interim and partial settlements, in terms detailed therein, for Korean currency advanced under the terms of the Agreement between the United States of America and the Republic of Korea Regarding Expenditures by Forces under Command of the Commanding General of the Armed Forces of Member States of the United Nations (July 28, 1950, Financial Agreement) executed at Taegu, Korea, July 28, 1950.

I now have the honor to inform you that my Government agrees to the several proposals and understandings which were contained in your note and also agrees to regard the provisions of the December 10, 1948 Agreement on Aid, mentioned as inconsistent with the Economic Coordination Agreement of this date, as superseded.

It is my understanding that the present exchange of notes is regarded as constituting an Agreement between the two Governments to which effect shall be given as of this date.

Accept, Excellency, the assurance of my highest consideration.

Too Chin, Paik (signed)

Minister of Finance, Republic of Korea.

The Honorable Clarence E. Meyer
Minister and Special Representative of the
President of the United States of America.

CONFIDENTIAL SECURITY INFORMATION

3/2/53

CONFIDENTIAL Note of Understanding Covering ROK
United States Exchange of Notes of 25 February 1953

The text of official understanding reached at the concluding meeting between the Republic of Korea and CINCPAC representatives on the combined Economic Board, held on Feb. 24, 53, at Pusan, Korea, for the purpose of reaching final agreement upon the notes exchanged between the Government of the United States of America and the Government of the Republic of Korea as of this date follows:

Admiral Hanlon stated that the text of the note transmitted by him to the Republic of Korea rep on the Combined Economic Board expressed the position of the United States in effecting full and final settlement for all outstanding Korean currency advances to the United States and clearly set forth the method of payment to be followed for all Korean currency provided by the Republic of Korea to the United States in the future. He suggested that for clarification, comments might be made on various provisions of the note.

Mr. Paik stated that the text of the United States note submitted to the Republic of Korea was fully acceptable to his Government as signified by the note delivered in reply to the United States notes.

The following specific statements of understanding were made by Admiral Hanlon on certain provisions set forth in the United States note:

1. The present exchange of notes is not intended to affect the arrangements with respect to acquisition of and settlement for Korean currency under the July 28, 1950 Financial Agreement on the part of United Nations Forces other than those of the United States.

2. The additional conditions contained in paragraph 3B of the United States note are interpreted as follows:

As soon as practical the military conversion rate will be established so as to bear the same ratio to the Pusan wholesale index as the ratio which existed in April 51 between the military conversion rate and the Pusan wholesale price index (average). Thereafter, every 3 months, the military conversion rate will be readjusted on this same basis. When recommended by the Combined Economic Board, other pertinent factors shall be taken into consideration. Adjustments will be made in the military conversion rate to the nearest appropriate figure.

3. The "Pusan wholesale price index" referred to above is that index for all commodities currently being computed and published by the Bank of Korea for the City of Pusan. It is understood that in the event the Pusan wholesale price index is supplanted by another

CONFIDENTIAL SECURITY INFORMATION

-2-

index because of transfer of the seat of the Government of the Republic of Korea to another location, or for other reasons, an appropriate new index will be adopted, in recommendation of the Combined Economic Board, for the purpose of making adjustments in the military conversion rate.

4. The phrase "as soon as practical" is interpreted to mean that the rate will be established as provided in paragraph 2 above in the minimum time required for commodity and other prices to adjust from the immediate effects of the currency reform. The period ending April 30, 53, is adequate for this purpose.

5. The settlement for Korea currency drawn by the United States funding officer between this date and April 30, 53, for which payment has not been made will be made on May 20, 53, in accordance with the formula contained in paragraph 2 above.

6. With respect to paragraph 3B of the United States note of this date, and the conditions contained therein, it is understood that in order to avoid losses due to adjustments in the military conversion rate made in accordance with the provisions thereof, the United States shall at all times have the right to resell or return Korean currency on hand to the Republic of Korea at the rate at which acquired.

7. The words "subject to the conditions as set forth in the exchange of notes on May 24, 52" are understood to include specific reference to contribution by the Republic of Korea of 10% of the bona fide military expenditures of the United States Forces in Korean currency. It is further understood that mutually acceptable accounting procedures for handling this contribution are as follows:

The United States Funding Officer will determine the total amount of Korean currency drawn by the United States from the Republic of Korea and the total amount of Korean currency sold to personnel of the United States Forces. Such sales to personnel will be deducted from total currency drawn, leaving a balance from which the Republic of Korea contribution of 10% will be deducted. The balance, after deducting the Republic of Korea contribution, plus the sales to the personnel will be the amount to be reimbursed to the Republic of Korea on or before the 20th day of the month following the month in which the currency is drawn.

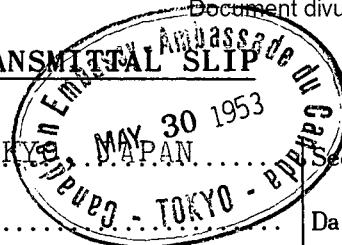
8. The Government of the Republic of Korea will present at its earliest convenience commodity import schedules designed to combat inflation through maximum importation of essential goods.

9. The provisions of the agreement reached in the exchange of notes of this date became effective as of 12:01 AM, Feb 26, 53. Mr. Paik stated that the above statements by Admiral Hanlon also expressed the understanding of his Government.

CONFIDENTIAL SECURITY INFORMATION

000289

TRANSMITTAL SLIP



TO: THE CANADIAN EMBASSY, TOKYO, JAPAN

Security... RESTRICTED

Date... May 26, 1953

FROM: Acting Under-Secretary of State
for External Affairs.

Air or Surface... Air

No. of enclosures... 2

210-7-1 ✓

The documents described below are for your information.

Despatching Authority... Def. Liaison 1/P.A. Beaulieu/lm

Copies	Description	Also referred to:
1	Letter No. D-564 of May 23, 1953, to Washington.	Mr. ¹⁹⁵³ Rittie ofc. d.r. MAY 31. 1953
1	Letter of May 21, 1953, from D/M Finance. <u>SUBJECT:</u> Settlement of Advances of Korean Currency.	London Tokyo

000290

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

TO: THE CANADIAN EMBASSY, WASHINGTON...

Security: RESTRICTED

No: D-564

Date: May 23, 1953

Enclosures: 1

Air or Surface Mail: Air

Post File No:

Ottawa File No.
10818-A-40

FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

Reference: Your letter No. 584 of March 17.

Subject: U.S. - R.O.K. Agreement on
Settlement of Advances of Korean
Currency.

References

D/M Nat. Def.
Director of
Army Budget.
D/M Finance
ATT: Mr. Rea

Internal
Circulation

Economic Div.
Far. Eastern Div.
Legal Div.

Distribution
to Posts

Enclosed you will find a copy of a letter dated May 21, 1953, from the Department of Finance, commenting on the Exchange of Notes, dated February 25, 1953, between the United States and Korean Governments on the settlement of advances of Korean currency to the U.S. forces.

2. With respect to paragraph 3 of the enclosed letter, would you please endeavour to obtain copies of the financial agreement contained in notes dated May 24, 1952, between the United States and Korea. In your Letter No. 584 of March 17, you stated that the text of the Agreement of May 24, 1952, was forwarded to us under cover of your Letter No. 1352 of June 10, 1952. The document transmitted under cover of your Letter No. 1352 is a Department of State Press Release No. 413 of May 24, which gives the terms of an agreement on economic co-ordination between the Republic of Korea and the United States. While the State Department Press Release refers to a U.S. Note to the Republic of Korea, regarding the manner in which the United States will reimburse the Republic of Korea for local currency drawn for military expenditures of United States forces, no copies of the United States Note were attached. It is this Note, and the reply to it, which we would like to have.

3. While it is not contemplated, for the time being, to enter into discussions with the Korean Government for the purpose of reaching an agreement on settlement of our own account with the Korean Government, it would be helpful if you could make enquiries of U.S. officials regarding the basis of the agreements between the United States and Korean Governments. Such information would enable the Department of Finance to ascertain whether the U.S. Korea agreements would serve as a precedent and a basis for negotiating a settlement of the advances of Korean currency made to the Canadian forces, should it later be deemed advisable to take such a step.

FOR THE
FOR THE

Acting Under-Secretary of
State for External Affairs.

C O P Y

DEPARTMENT OF FINANCE
CANADA

Ottawa,
May 21, 1953.

Under-Secretary of State
for External Affairs,
East Block,
Ottawa, Ontario.

Attention: Mr. W.H. Wershof
Your file No. 10810-A-40

Dear Sir:-

With your memorandum you enclosed copy of an exchange of notes dated February 25, 1953, which constitutes an agreement on settlement of advances of Korean Currency between the U.S. and Korean Governments. Copies of this exchange of notes had been requested to ascertain whether this agreement and the agreement signed on May 24, 1952, between the U.S. and Korean Governments would be helpful in considering the question of settlement in respect of Korean Currency advances for our own forces.

On December 17, 1952, you referred to this Department copies of Department of State Press Release No. 413 of May 24, 1952, which included a copy of an unofficial text of the agreement on economic coordination but did not include copies of an exchange of notes on the same date which constituted a financial agreement between the U.S. and Korean Governments. Furthermore, you will note from the exchange of letters dated February 25, 1953, that it is impossible to determine the basis of settlement since no details are given of the Korean currency obligations prior to February 7, 1953, for which the payment of \$85.8 million, together with previous advances constitutes final settlement.

It would, I think be inadvisable to consider entering into discussions concerning the settlement of our Korean currency account at the present time in view of pending developments in Korea. It would be useful, however, if in the meantime you would arrange to have our Embassy in Washington obtain copies of the financial agreement dated May 24, 1952, between the U.S. and Korean Government and make appropriate enquiries of U.S. officials regarding the basis of the agreements

...2

- 2 -

between the U.S. and Korean Governments with a view to ascertaining whether these agreements might serve as a precedent and basis for negotiating a settlement of our account with the Korean Government should it later be deemed advisable.

Yours very truly,

J.J. Deutsch
Assistant Deputy Minister.

Japanese Embassy - Ambassade du Japon
MAR 10 1953
JAPANESE EMBASSY
TOKYO

Despatching Authority... Def.. Liaison 1/P.A. Beaulieu/lm

No. of enclosures...3.....

Room To me
The Ambassador
MAY 14 1958
MAY 14 1958
Bry. Morris
Ed. Pol. Williams

Copies	Description	Also referred to:
1	Telegram No. Wa-533 of February 28, from Washington.	<div data-bbox="847 617 977 709" style="text-align: right;"> <i>File</i> <i>Copy</i> </div> <div data-bbox="847 832 977 895"> London Tokyo </div>
1	Letter No. 419 of February 27, 1953 and encl. from Washington. SUBJECT: US / ROK AGREEMENT ON SETTLE- MENT OF ADVANCES OF KOREAN CURRENCY	

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY, WASHINGTON, D.C.

Reference:

Subject: US-ROK AGREEMENT ON SETTLEMENT OF
ADVANCES OF KOREAN CURRENCY.

Security: UNCLASIFIED

No: 419

Date: February 27, 1953

Enclosures: 5

Air or Surface Mail:

Post File No:

Ottawa File No.
50069-G-40

References

I attach for your information 5 copies of
State Department press release No. 103 dated February
25, concerning the agreement which has been reached
by the United States and the Republic of Korea for
settlement of all outstanding local currency advances
by the Republic of Korea to United States forces.

Background information concerning this
press release is being forwarded to you by teletype.

(sgd.) J.J. McCardle
for the Embassy.

Internal
Circulation

Distribution
to Posts

DEPARTMENT OF STATE

FOR THE PRESS

CAUTION / FUTURE RELEASE

February 25, 1953

No. 103

FOR RELEASE AT 7:00 P.M., E.S.T., WEDNESDAY, FEBRUARY 25, 1953.
NOT TO BE PREVIOUSLY PUBLISHED, QUOTED FROM OR USED IN
ANY WAY.

The United States has agreed to pay \$85,800,000 to the Republic of Korea in full settlement for all outstanding local currency advances by the Republic of Korea to United States forces prior to February 7, 1953. In addition, it was agreed that the United States will in the future purchase won from the Republic of Korea for military use and for sale to military personnel at a rate related to local price indices.

The local currency for which payment will be made has been advanced to the United States forces under the Financial Agreement of July 1950 between the United States and the Republic of Korea, in which the Republic of Korea agreed to advance local currency in return for a settlement at a mutually agreeable time in the future. The present agreement will not affect arrangements between other United Nations countries and the Republic of Korea for settling past won drawings and obtaining future hwan (new currency) requirements.

With the funds thus made available by the settlement and those arising from sale of hwan in the future, the Republic of Korea will be able to increase materially its importation of consumer and capital goods and thus move toward a stabilized economy and a firm foundation for reconstruction.

INCOMING MESSAGE

COPY

FROM: THE CANADIAN AMBASSADOR TO THE UNITED STATES

TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Security Classification

CONFIDENTIAL

File No.

Priority

System
CYPHER-AUTO

No. WA-533

Date February 28, 1953.

Departmental
Circulation

MINISTER
UNDER/SEC
D/UNDER/SEC
A/UNDER/SEC'S

Reference: Our letter No. 419 dated February 27.

Subject: United States - ROK agreement on settlement of advances of Korean currency.

At the State Department's initiative a meeting was held February 27 with Commonwealth representatives to discuss the State Department press release of February 25 (the text of which has been forwarded under my letter No. 419 of February 27) indicating that the United States Government has agreed to pay \$85,800,000 to the Republic of Korea in full settlement for all outstanding local currency advances by the Republic of Korea to United States forces prior to February 7, 1953. According to the press release all future United States drawings of local currency will be on a pay-as-you-go basis.

2. White, the State Department representative, was uncertain as to what rate would be established between the new Korean currency (hwan) and the United States dollar for settlement of current advances since there is to be a quarterly adjustment of the rate directly related to price levels in Korea. He thought the Korean Government might, for public consumption, carry on the fiction of an "official rate" of something like 60 hwan to the United States dollar (cf. the "official rate" of 6,000 won, the old currency, to the United States dollar). At the meeting White said that the first rate for settlement with the United States would be established not later than April 30 and would be retroactive to February 7, 1953. He said in addition that settlement of currency advanced between December 16, 1952 and February 7, 1953, was made on the basis of 18,000 won (as distinct from the new hwan) to the United States dollar. Later in the day however we learned that the United States had recently purchased 3½ million dollars worth of Korean currency at the official rate. This was confirmed by State Department officials who indicated that the purchase covered the old won issued between February 7 and February 25 and the rate was 6,000 won to the United States dollar. We were given no explanation of the apparent discrepancy between this information and that given us at the meeting.

3. White read to the meeting a paragraph from the agreed minutes of the United States - Korean discussions

000299

- 2 -

which he believed would safeguard the position of the other United Nations countries. The paragraph read:

"The present exchange of notes is not intended to affect the arrangements with respect to acquisition of and settlement for Korean currency under the 28 July, 1950, financial agreement on the part of United Nations forces other than those of the United States".

He said that there was some security classification on this paragraph but he was not certain how confidential it would remain.

4. It was the United States view that this new agreement simply implements the terms of the 1950 agreement so far as the United States is concerned, i.e., the United States has considered the present time to be a "mutually satisfactory time" within the terms of the earlier agreement to reach settlement with the ROK Government. The State Department is asking the United States Embassy in Pusan for any information it may have on the intentions of the Korean Government with respect to the supply of local currency for other United Nations forces. White said that the United States Embassy has been supplied with arguments to counter any suggestion by the Korean Government that it should discontinue the present arrangements affecting other United Nations forces.

5. We questioned White as to the accuracy of the article by Robert Alden on page 3 of the New York Times of February 24, especially as it concerns the establishment of a joint economic board to oversee the expenditure of the United States dollars received in settlement. White seemed unwilling or unable to discuss the details of the agreement but suggested that the Times article probably referred to the provisions of the agreement on economic coordination which was reached in May 1952 (our letter No. 1352 of June 10 1952) which set up a combined economic board composed of one representative from the Republic of Korea and one representative of CINCUK. He said he knew of no new arrangements in this respect.

6. When questioned as to why the ROK Government had chosen this particular time to change the currency White suggested that the Korean Government had probably set some "magic number" for won outstanding at which a change would be made. He also thought that the Korean Government had a "simple faith" in the value of reducing the number of zeros in their currency. Tomlinson of the United Kingdom said that he had received information indicating that the change in currency had been pushed through the Legislature in Korea in the face of violent opposition. He understood that no new currency would be issued to individuals whose current tax payments were in arrears and that this regulation might be used to embarrass President Rhee's opponents.

7. After the meeting Tomlinson told us that the United Kingdom attitude remained firm that no payment should be made in settlement of advance until the war was over. He said in addition that it was his impression that the amount of \$85,800,000 had been decided on not on

- 3 -

the basis of any specific rate of exchange but rather because it was an amount which United States experts thought was necessary to assist in the stabilization of the Korean economy.

8. Later in the day we learned that the State Department had received a telegram from Pusan in which the United States Ambassador reported that Admiral Hanlon, the UNC negotiator, had assured him that other United Nations forces would continue to receive Korean currency through the normal channels, that is the United States disbursing officers, as heretofore and on the understanding that settlement would be made on a bilateral basis at some mutually satisfactory time. Presumably therefore the disbursing officers will handle two lots of local currency, one paid for with United States dollars and the other issued to other United Nations forces as in the past.

TRANSMITTAL SLIP

TO..... **CANADIAN EMBASSY, Tokyo, Japan**

FROM:..... **Under-Secretary of State for**

..... **External Affairs.**

The documents described below are for your information.

Despatching Authority.. **Def. Liaison 1/P.A. Beaulieu/lm**

Security.. **CONFIDENTIAL**

Date.... **January 13, 1953**

Air or Surface.. **Air**

No. of enclosures.... **1**

From To see
Mr. Ambassador
FEB 1 1953
Mr. Butler
Mr. Morton
Lt. Col. Kellough

Copies

Description

Also referred to:

1

**Tel. No. WA-95 of January 12, 1953
from Washington.**

**London
Tokyo**

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

INCOMING MESSAGE

COPY

FROM: THE CANADIAN AMBASSADOR TO THE UNITED STATES

TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Security Classification

CONFIDENTIAL

File No.

Priority

System

CYPHER-AUTO

No. WA-95

Date January 12, 1953.

Departmental
Circulation

MINISTER
UNDER/SEC
D/UNDER/SEC
A/UNDER/SEC'S

Reference: WA-49 of January 7th.

Subject: Korean Currency for United Nations Forces.

Following is text of a note which the British Embassy transmitted to State Department on January 8th, Begins:

Her Majesty's Ambassador for the United Kingdom presents his compliments to the Secretary of State and has the honour to address him on the subject of the provision of won for the forces of the United Nations in Korea.

Her Majesty's Ambassador would be grateful to be assured that in the discussions which are currently taking place with the Government of the Republic of Korea the negotiators for the United Nations Command will continue to insist that the agreement between the United Nations Command and the Republic of Korea of 28th July 1950, under which the Republic of Korea undertook to provide the necessary won for the United Nations forces in Korea leaving the question of settlement for later bilateral discussion between the Republic of Korea and the individual countries concerned, should not be disturbed insofar as concerns the provision of won for British Commonwealth forces. Her Majesty's Government remain opposed to making any payments for won until the end of hostilities.

Her Majesty's Ambassador would also be grateful to be assured that pending a satisfactory outcome of the current negotiations between the United Nations Command and the Government of the Republic of Korea the United Nations Command will, in any case, accept responsibility for supplying the immediate won requirements of the British Commonwealth forces.

Ends.

2. We did not see actual text of the note until today, although British Embassy informed us by telephone in general terms on January 8th that they had been instructed to ask for assurances that the UNC negotiators would continue to press for the maintenance

Done.....

Date.....

References

Done.....

Date.....

- 2 -

of the agreement of July 28, 1950, and that the UNC would accept responsibility for supplying immediate non requirements pending the outcome of negotiations.

3. We understand that Allison, who received the note, reacted favourably and promised an early reply.

210-7-3A



TRANSMITTAL SLIP

TO: ... 4 ... CAN EMBASSY, TOKYO, JAPAN.

FROM: Under-Secretary of State for
External Affairs

The documents described below are for your information.

Despatching Authority: Def. Liaison 1/P.A. Beaulieu/lm

Security: S E C R E T

Date: January 8, 1953

Air or Surface: Air

No. of enclosures: 1

To see
the Ambassador
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]
Mr. [unclear]

Copies	Description	Also referred to: <i>file</i>
1	Telegram No. WA-49 of January, 7, 1953. from Washington.	London Tokyo

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

INCOMING MESSAGE

COPY

FROM: THE CANADIAN AMBASSADOR TO THE UNITED STATES

TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Security Classification

S E C R E T

File No.

Priority

System

No.

Date

CYPHER-AUTO

WA-49

January 7, 1953

Departmental
Circulation

MINISTER
UNDER/SEC
D/UNDER/SEC
A/UNDER/SEC'S

Reference: WA-2944 of December 23rd.

Subject: Korean currency for United Nations forces.

The State Department have informed us that, pending the conclusion of negotiations regarding the use of Korean currency by United Nations forces, the Korean Government has made available to the United Nations command an additional 25 billion won. The United States military authorities in Korea have been authorized to provide from this amount for the requirements of all United Nations forces.

2. It is estimated that this will meet urgent United Nations requirements until about the middle of this month. State Department officials hope that by that time the UNC's negotiations with the Korean Government (see WA-2900 of December 17th) may be settled. We will be advised of the outcome of these negotiations. Their present exact status is not known here but State Department officials say they have no reason to believe the results will be unsatisfactory.

References

Done.....

Date.....

Done.....

Date.....

TRANSMITTAL SLIP

TO: CANADIAN EMBASSY, Tokyo, Japan

JAN 8 1953

FROM: Under-Secretary of State for
..... External Affairs,

The documents described below are for your information.

Despatching Authority Def.. Liaison. 1/P.A. Beaulieu/lm

Security..... **S E C R E T**

Date..... December 29, 1952

Air or Surface.. **Air**

No. of enclosures... 1

Plum
To see
The Ambassador
Mr. Morton
Mr. Keller
JAN 15 1953
Mr. Keller
file
Am

Copies	Description	Also referred to:
1	Telegram No. Wa-2944 of December 23, 1952, from Washington.	London Tokyo Canberra

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

INCOMING MESSAGE

COPY

FROM: THE CANADIAN AMBASSADOR TO THE UNITED STATES
TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Security Classification	
SECRET	
File No.	

Priority IMPORTANT	System CYPHER-AUTO	No. WA-2944	Date December 23, 1952.
-----------------------	-----------------------	-------------	-------------------------

Departmental Circulation

MINISTER
UNDER/SEC
D/UNDER/SEC
A/UNDER/SEC'S

Done.....

Date.....

Reference: Your EX-2437 of December 22, 1952.

Subject: Korean Currency for United Nations Forces

1. The State Department advises that instructions were sent this morning to the United States Commander in Korea to turn over to the United Nations Commander sufficient won to meet the immediate requirements of all United Nations forces in Korea including the 200 million Korean won which the Canadian Army cashier requires by December 28.

2. It is estimated that the United States has on hand sufficient won to meet all urgent requirements until about December 31, and that current negotiations looking toward a more permanent solution will be completed before that date.

3. State Department officials have undertaken to keep us informed of developments in their negotiations with the R.O.K. Government.

References

Done.....

Date.....

Menzies/EMB

Ext. 189B

FILE COPY

OTTAWA FILE

No.....

Letter No.....1376.....

December 26, 1952

Date.....

SECURITY CLASSIFICATION

SECRET

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN

TO: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Reference.. Letter of December 12, 1952 from External Affairs to
National Defence and Deputy Minister of Finance.....

Subject: Korean Currency Drawings by Canadian forces.....

In connection with the current discussions concerning Korean currency drawings by U.N. forces, I think you may be interested to know that UNKRA has an agreement to buy won from the Bank of Korea at 18,000 won to the U.S. dollar. This money is used for UNKRA expenses in Korea, including payment of salaries of indigenous personnel. I understand individual UNKRA employees may draw \$20 a month worth of won purchased at this rate. The fact that UNKRA gets its won by agreement at 18,000 to the dollar instead of the official rate of 6,000 which the U.S. Army still observes enables UNKRA to pay its indigenous labour better salaries than the U.S. Army can afford.

Original Signed by
A. R. MENZIES

A. R. Menzies
Charge d'Affaires a.i.

Note: The information in this letter is not classified; only the reference to previous correspondence.

Copies Referred

To Brig. Horton

No. of Enclosures

Post File

No. 210-7-3A

TRANSMITTAL SLIP

TO: CANADIAN EMBASSY, Tokyo, Japan.....

Security: **S.E.C.R.E.T**.....

Date: **December 18, 1952**.....

FROM: Acting Under-Secretary of State.....

Air or Surface: **Air**.....

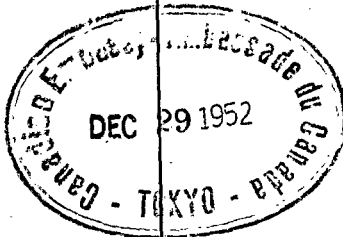
..... for External Affairs.....

No. of enclosures: **1**.....

The documents described below are for your information.

*210 - 70 To see
Mr. K. J. 1952
Mr. Kettie
Mr. Morton
Mr. G. L. Halliday*

Despatching Authority: **DL 1/P.A. Beaulieu/lm**.....

Copies	Description	Also referred to:
1	Telegram No. WA-2900 of December 17, 1952, from Washington.	London, Tokyo , Canberra.
		(R.E.A. MONTAGNA BRIGADIER COMMANDER CANADIAN MILITARY MISSION FAR EAST 2 JAN 1953

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

INCOMING MESSAGE

COPY

FROM: THE CANADIAN AMBASSADOR TO THE UNITED STATES

TO: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Security Classification

S E C R E T

File No.

Priority

System

CYPHER-AUTO

No. WA-2900

Date December 17, 1952.

Departmental
Circulation

MINISTER
UNDER/SEC
D/UNDER/SEC
A/UNDER/SEC'S

Reference: EX-2371 of December 13.

Subject: Korean Currency for United Nations Forces.

The British and Australian Embassies approached the State Department at the end of last week to express the desires of their governments that settlement for won drawings should be postponed until the end of hostilities in accordance with the agreement of July 28, 1950. The New Zealand Embassy has, on instructions, informally supported this position.

2. We were informed by the State Department yesterday that, with regard to the Korean Government's recent notification, the United Nations Command has been instructed that it should:

(a) Open discussions with the Korean Government on behalf of the United States Government only, with a view to concluding an agreement by which the United States would make "pay-as-you-go" reimbursements, at an agreed rate, covering Korean won drawings for requirements of American forces and would make a settlement for past won drawings at a reasonable rate;

(b) Assert to the Korean Government that, so far as other United Nations forces are concerned, the status quo, i.e., the agreement of July 28th, 1950, should be maintained.

3. With regard to (a) State Department officials say they have had informal indications that the Korean Government may be prepared to accept reimbursement at a realistic rate of exchange, possibly as high as 20,000 won to the dollar, if the United States would be willing to make prompt payments. The United States Government is in favour of making such reimbursements to the Koreans for American drawings of local currency, if a realistic rate of exchange can be obtained. This would not only be a gesture towards the Koreans but would accord with customary United States policy in such matters.

4. With regard to (b) State Department officials express the opinion that it would be unreasonable for

Done_____

Date_____

References

Done_____

Date_____

000315

- 2 -

the ROK Government to refuse to maintain the July 28th agreement so far as other United Nations forces are concerned. The amount of won drawn by other countries is small in comparison with the drawn by the United States. If the ROK Government should be unwilling to allow the July 28th agreement to continue, it would of course be necessary for governments concerned to decide quickly on what was to be done. No immediate crisis would arise, since the UNC apparently has sufficient won on hand to cover requirements until the end of the year.

5. The embassies of all countries participating in the Korean war have been informed by the State Department of the developments outlined in this message.

TRANSMITTAL SLIP

TO:C IDIAN EMBASSY Tokyo, Japan.....

..... DEC 19 1952

FROM: ... Acting Under-Secretary of State

..... for External Affairs.....

The documents described below are for your information.

Despatching Authority..DL.1/P.A..Beaulieu/lm.....

Security..SECRET.....

Date... December 12, 1952.....

Air or Surface..Air.....

No. of enclosures..... 4

To see
Mr. Rogers
Mr. Lathin
Brig. Morton
File
RM

Copies	Description	Also referred to:
1	Letter of December 12, 1952 to Deputy Minister of National Defence. (Similar letter to Deputy Minister of Finance)	London Tokyo Washington Canberra

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

Defence Liaison 1/PLA. Beaulieu/lm

Mail letter sent to D/M National Defence

Dec 12/52

File No. 10548-W-40

SECRET

The Deputy Minister,
Department of Finance,
Ottawa, Ontario.

Korean Currency for Canadian Forces

2
Attached is a copy of telegram No. 231, dated December 10, 1952, from the Australian Department of External Affairs to the Office of the High Commissioner for Australia in Ottawa, which was left with this Department on December 10 by an officer of the Australian High Commissioner's Office. You will also find a copy of telegram No. 1002 dated December 5 from the Commonwealth Relations Office and of telegram No. 39, dated December 10, from the High Commissioner for the United Kingdom in Canberra, which were forwarded to this Department by the Office of the High Commissioner for the United Kingdom in Ottawa on December 11.

2. The enclosed telegrams deal with a recent notification by the Korean Government that from December 15, 1952, they will cease issuing won for local requirements of United Nations forces and that thereafter won must be bought from the Bank of Korea. You will see that the United Kingdom Government have proposed that a joint approach should be made to the American Government by the Commonwealth Ambassadors in Washington. The Australians were instructed to seek our support, but as the United Kingdom is taking the lead, the Australians do not propose pressing us to take any action. From these

- 2 -

telegrams you will note that the United Kingdom authorities are not asking us to support their approach to the United States authorities. However, in view of the previous decision to postpone reimbursement for drawings of local currency advanced to Canadian troops, you may wish to study the enclosed telegrams with a view to ascertaining their implications as far as the Canadian authorities are concerned.

BENJAMIN ROGERS

Acting Under-Secretary of State
for External Affairs.

cc. Canada House
Tokyo
Economic Division
United Nations Division
Legal Division
Far Eastern Division
Canadian Emb. Washington,
Director of Army Budget, DND,
Canberra.

COPY

S E C R E T

FROM

External, Canberra

TO

Austcom, Ottawa

DATE

10th December, 1952.

NO

231

SX

Addressed Washington 1178 repeated Ottawa 231, Wellington 319, London 4661 and Pusan 107. Re your 137 and preceding telegrams. Secret. Provision of won for B.C.F.K.

United Kingdom Government have proposed that a joint approach should be made to United States by our Ambassadors in Washington concerning a recent notification by Korean Government that from 15/12 they will cease issuing won for local requirements of United Nations forces and that thereafter won must be bought from Bank of Korea. In view of short time available United Kingdom have repeated to Ambassador Washington and High Commissioners Ottawa and Wellington their telegrams 972 and 1002 to High Commissioner, Canberra. Proposed approach to which we refer is contained in No. 1002 which modifies proposals made in 972 in light of closer examination of factual position.

2. We should like you to support British Ambassador in this approach. Funds involved are predominantly United Kingdom funds. We have no up-to-date figures of won drawings on behalf of Australian forces but believe that of the 16,650 million won (£1,013,000) referred to in United Kingdom telegram 972 as having been drawn by United Kingdom Paymaster on behalf of B.C.F.K. up to 16/7/52, Australian element and presumably also New Zealand and Canadian elements were small. From financial point of view we are in basic agreement with their desire to postpone settlement for won drawings until end of hostilities.

. . . 2

- 2 -

3. Whilst supporting British approach fully sums involved on Australia's account are relatively small. We would not want Americans to think that we are quarrelling over a small amount and trust that you will be able to ensure that Americans do not get such an impression. We do not of course question decisions of Americans to conclude a bilateral settlement in respect of their own won requirements(?)
4. United Kingdom have suggested that we may wish to consult Canadian and New Zealand Governments before taking up matter with United States. On general grounds we favour this course, but time may not allow, because to be most effective approach should be made before 15/12. We are however repeating this telegram to Ottawa and Wellington, asking that matter be taken up with Canadian and New Zealand Governments and leave it to you to arrange in consultation with British Ambassador association of your Canadian and New Zealand colleagues if they so desire.
5. Please cable results of approach at earliest.
6. (To Ottawa and Wellington) Please take up urgently with governments to which you are accredited.
7. (To London) Please inform appropriate United Kingdom authorities.
8. (To Pusan) Content of United Kingdom telegram 1002 being repeated to you by sevingram.

TELEGRAM

FROM: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM CANBERRA
TO: THE HIGH COMMISSIONER FOR THE UNITED KINGDOM

SENT: 7:13 p.m. December 10th 1952

RECD: 7:35 p.m. December 10th 1952.

SIMPLEX

ROUTINE

NO 39

SECRET

Addressed C.R.O. No. 872

repeated United Kingdom High Commissioners Ottawa No. 39, Wellington No. 158, United Kingdom Ambassador Washington No. 22, UKDEL New York M. 172, United Kingdom Ambassador Tokyo M. 173 and Pusan M. 174 (C.R.O. please pass to all except Wellington).

Your telegram No. 1002

won for British Commonwealth Forces in Korea.

Australians have agreed to take action as requested notwithstanding advice from Australian representatives in Korea that there might be some merit in making generous gesture to Koreans.

2. Telegram to Australian Ambassador in Washington now being prepared. Copies will be sent to other posts. High Commissioner London will be asked to pass copies to appropriate United Kingdom authorities.

3. At External Affairs instigation paragraph is included asking that it should be made clear to Americans that Australia is not objecting to agreement United States have made and that approach is not being made because Australia itself wants to argue over a small sum of money. In view of this Australian authorities would rather prefer United Kingdom to make the running in the joint approach in Washington but are not saying so to Spender.

. . . 2.

- 2 -

Leasy made reasonable point that we were perhaps more vulnerable in light of precedent in relation to troops' pay than over military expenditure but have said that if this point is made by Americans further instructions should be sought.

5. Understand Koreans have agreed to extend their 15th December time limit until 1st January.

JM

11:12:52

C O P Y

S E C R E T

OUTWARD TELEGRAM FROM COMMONWEALTH RELATIONS OFFICE

TO: U.K. HIGH COMMISSIONER IN AUSTRALIA

RPTD: U.K. HIGH COMMISSIONER IN NEW ZEALAND) SAVING
U.K. HIGH COMMISSIONER IN CANADA)
H.M. AMBASSADOR WASHINGTON)
U.K. DELEGATION NEW YORK) SAVING VIA
H.M. AMBASSADOR TOKYO) F.O.
H.M. MINISTER PUSAN)

(SENT: 15.25 hours, 5th Dec., 1952)

CYPHER

PRIORITY

No. 1002

SECRET

Addressed U.K. High Commissioner in Canberra No. 1002, repeated U.K. High Commissioners in Wellington No. 150 Saving, Ottawa No. 172 Saving, H.M. Ambassador Washington, U.K. Delegation New York, H.M. Ambassador Tokyo and H.M. Minister Pusan.

Your telegrams Nos. 343, 344 and 348.

PROVISION OF WON FOR BRITISH COMMONWEALTH
FORCES KOREA

Grateful for information in telegrams under reference.

2. On assumption that assessment in your telegram No. 348 is correct, we suggest you seek urgent Australian agreement to a concerted approach to Americans on following lines:

(a) We have learned that Korean authorities are making difficulties about won issues to the United Nations forces; and that these difficulties arise from the unilateral Economic Co-ordination Agreement concluded between Unified Command and Republic of Korea in May 1952 and from terms of exchange of letters of May 1952 between United States and Korea Governments.

(b) We should be grateful for confirmation of our understanding that, so far as won drawings on behalf of Commonwealth forces are concerned, the position is still covered by paragraph 5 of the Agreement of 28th July 1950. (Article V. of the 1952 Agreement specifically states that "This Agreement does not supersede in whole or in part any existing Agreement between the parties hereto.") The Americans will no doubt agree that the 1952 Agreement, while consistent with their own position as a creditor country and with their pre-Korean war interests in Korea, does not, and should not, prejudice the position of other United Nation countries, to whom like considerations do not apply.

(c) We rely on the Americans to press the Koreans to abandon their demand that won for use of all United Nation forces should be bought from Bank of Korea as from 15th December,

- 2 -

and in any event to ensure that there is no hiatus in the supply of British Commonwealth Forces Korea (B.C.F.K.) won requirements after that date. We for our part, under the terms of the 1950 Agreement, do not propose to pay for won drawings pending a settlement at the end of hostilities. The Americans will of course understand that in any such settlement we shall be opposed to paying in dollars for won.

(d) We would strongly support any suggestion that there should be a more realistic official rate of exchange for the won.

3. Subject to the views of U.K. Embassy Washington, whose advice we have sought, we should also like a discreet reference to be made to the point in paragraph 3(iv) of my telegram No. 972.

4. We think a tactful approach to the United States authorities on above lines should be successful in securing our objectives and might not be unwelcome to them.

5. In view of time factor, we hope you will be able to secure early Australian agreement to and support of this modified line.

TRANSMITTAL SLIP

NOV 10 1952
CANADIAN EMBASSY

TOKYO, JAPAN

T

FROM: DEPARTMENT OF EXTERNAL AFFAIRS,

...C.a.n.a.d.a.

The documents described below are for your information.

Despatching Authority. Defence. Liaison. 1/PABeaullieu/co

Security.....

Date..... Nov. 5, 1952.....

Air or Surface..... AIR BAG.....

No. of enclosures..... four.....

To see
Mr Rogers
Mr Pettie *SLP*
File *AM*

Copies	Description	Also referred to:
one of each	<p>Letter of Sept. 17 from DND to R.B. Bryce, Dept. of Finance</p> <p>Letter of Oct. 17 from Bruce to DND</p> <p>Letter of Oct. 16 from Bruce to C.A. Annis, Can. Embassy, Washington</p> <p>Letter of Oct. 27 from Annis to Bryce</p> <p>Re: <u>Settlement for Korean Won</u></p>	<p>London</p> <p>Tokyo</p> <p>Athens</p> <p>Ankara</p>

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF NATIONAL DEFENCE

Office of the Deputy Minister

Ottawa, September 17th, 1952.

Mr. R. B. Bryce,
Assistant Deputy Minister,
Department of Finance,
Ottawa, Canada.

Dear Mr. Bryce:

The matter of payment to the Korean Government for drawings of Korean won by the Field Cashier, 25 Canadian Infantry Brigade, was previously discussed in my letter dated November 20, 1951, and in your reply dated November 29, 1951. At that time, it was decided that while there appeared to be no urgency for settlement with the Korean Government you would keep in touch with External and advise this department of any development.

As you know, there have been a number of communications from Mr. A. R. Menzies, Charge d'Affaires, Tokyo, since that date. In his letter, NO. 788, dated July 24, 1952, he stated that the official rate of exchange is still 6,000 Korean won to \$1.00 (US), but that it is possible to make conversions at the rate of 24,000 won to the \$1.00 without recourse to the black market. In his letter, No. 889, dated August 26, 1952, Mr. Menzies stated that the ROK Government makes the complaint that inflation is caused in a large measure by the substantial drawings of Korean won by U.N. Forces; also that the United States consider periodic settlements are both economical and politically desirable.

Canadian drawings from the U.N. disbursement office to June 30th, 1952, as recorded by the Chief Treasury Officer, D.N.D., total 1,128,000,000 won, which in Canadian dollars at the 6,000 won rate approximate \$190,000.

The expenditures or drawings of Korean won are being charged to our appropriations and credited to Floating Debt - Foreign Currency for Armed Services. In view of your letter of November 29, 1951, we are leaving the question of settlement with Korea to your department and External.

Yours very truly,

"E. B. Armstrong",

for C. M. Drury,
Deputy Minister.

DEPARTMENT OF FINANCE

Ottawa, October 17th, 1952.

C. M. Drury, Esquire,
Deputy Minister,
Department of National Defence,
Ottawa, Canada.

Dear Mr. Drury:

In your letter dated September 17, 1952, you mention that the question of a settlement for Korean won drawn by the Armed Services is being left open by your Department subject to any decision reached by the Departments of External Affairs and Finance.

At the present time it is not considered that a settlement with the Korean Government is an urgent question. The establishment of a satisfactory rate of exchange will be a difficult problem at any time but it may prove advantageous to defer this negotiation until other financial factors arising from the Korean war are in process of settlement. Questions such as reimbursement by United Nations participants for the use of Korean facilities, awards for damages, etc., will likely form part of the general rehabilitation problem that will probably emerge at a later date.

Another factor favouring a postponement of this issue is the absence of any final establishment of an exchange rate by the United States Government which, when determined, is bound to have a marked influence on the value that should be assigned to Korean won by other participating Governments. As the total amount of Korean won drawn to June 30, 1952, at the 6,000 won rate approximates \$190,000, it is apparent that Canadian drawings are not contributing to any appreciable extent to the inflation being experienced within the South Korean economy.

Yours truly,

"R. B. Bryce"

DEPARTMENT OF FINANCE

CANADA

Office of the
Assistant Deputy Minister

Ottawa, October 16th, 1952.

Dr. C.A. Annis,
Financial Secretary,
Canadian Embassy,
1746 Massachusetts Avenue,
Washington, D. C.

Dear Arthur:

Attached is an exchange of correspondence with the Department of National Defence concerning the advisability of an early settlement for Korean won drawn by Canadian Forces.

I would appreciate receiving your comments at this time with particular reference to the outlook of the United States Treasury Department.

Yours truly,

"R. B. Bryce"

Atts.

Canadian Embassy

Washington 6, D.C.
October 27th, 1952.

Dear Mr. Bryce: Settlement for Korean Won

Following receipt of your letter of October 16th, I have had an informal chat with United States Treasury officials about the problem of settlement for Korean won currency drawn by the Canadian Armed Services. The officials to whom I talked were Mr. C. D. Glendinning, Deputy Director of the Office of International Finance, and Mr. Page Nelson, who is a Treasury specialist on U.S. military financial settlement abroad.

Of course, I neither sought nor received advice as to what policy Canada should adopt in the matter. However, during the conversation it became very clear that there would be no disposition on the part of the U.S. Treasury, if its advice were sought, to urge Canada to consider an early settlement. Indeed, Glendinning and Nelson expressed unofficial personal views to the effect that they would prefer to see us take no action for the time being. They thought that in view of the smallness of Canadian drawings, settlement by us would not make any significant contribution to the problem of combatting inflation in Korea. And they would be somewhat apprehensive least the R.O.K. Government (which they consider to be tough and frequently unreasonable in conducting negotiations) might obtain from us a settlement which would prejudice the United States position in future negotiations respecting the final settlement of U.S. accounts.

Glendinning and Page reviewed the main facts respecting the U.S. arrangement with the R.O.K. Government. They pointed out that the agreement which was signed in May of this year left completely open the amount of the ultimate financial settlement and the establishment of a final exchange rate. They emphasized that both the initial U.S. payment of \$35 million to Korea (which was in settlement of won drawings by the U.S. up to March 31, 1952, and certain labour services which had been supplied in the immediately preceding months), and subsequent monthly payments of \$4 million each (to cover goods and services supplied to the United States Army for official purposes) were of an interim nature, subject to final adjustment later. Actually the \$4 million payment is currently in excess of the value of services being received, taking account of the further depreciation in the won. Some 10% of the agreed payments are now being held back by the U.S., nominally as a voluntary "Korean contribution to the general N.A.T.O. effort", but in reality because the U.S. has from time to time stepped in and met R.O.K. payrolls (e.g., for the railways) in order to keep things going. With respect to drawings of won for issue to the troops, the U.S. commitment was to reimburse Korea at the same rate applied in issuing the won to the men, - which is now 6,000 won to the U.S. dollar.

R. B. Bryce, Esq.,
Assistant Deputy Minister,
Department of Finance,
Ottawa, Canada.

2.

Nelson said that the free or black market for won was pretty much of a void. The rate ranged from about 16,000 to 20,000 won per dollar, with wide variations from place to place and from time to time. There was no true market. To judge from the prices which leading commodities fetched in terms of won, a dollar was worth about 16,000 - 18,000 won. There was no way of predicting future changes, nor of determining what conversion rate would be appropriate for a final settlement. For the time being the U.S. probably would continue to operate on the 6,000: 1 basis, although it was recognized that this greatly overvalued the won. In determining the rate used in the final settlement, broad political considerations might well outweigh technical comparisons of values based on the internal purchasing power of the won. Presumably the United States would be generous in its settlement, since if it economized by striking a hard bargain about the rate used in settling for won drawings, it would just have to give that much more for relief and rehabilitation. Nevertheless, the Treasury would regret any action now which Korea could interpret as an admission that final settlement for won should be at the 6,000: 1 rate.

Glendinning thought that if Canada, or any other U.N. power with forces in Korea, should undertake talks with the R.O.K. Government, we would run into some very tough bargaining. The Koreans would, he thought, not agree to give anyone else a rate more favourable than that employed currently by the United States. And they would no doubt try very hard to get some commitment with respect to the final settlement which they could later use as leverage in dealing with the United States. If Canada were to commence negotiations she might have to choose between seeing them break down or accepting an unreasonable proposition which, while not very costly to herself in view of the small amounts involved, would tend to prejudice the position of the U.S. on the wider issue. For this reason Glendinning would personally feel more at ease if the matter of settlement by Canada remained quiescent. He thought that on balance it would be best both for Canada and United States.

The position of other U.N. powers with forces in Korea was barely mentioned. However, Glendinning said that none of these powers had discussed a settlement with the United States, and that he would be greatly surprised if any of them had discussed it direct with the R.O.K. Government.

You are, of course, familiar with the British reaction of pained surprise at the very idea that Canada should discuss a settlement for won advances at this time (see Embassy letter No. 1480 of June 25th, 1952). It seems to me that the above comments on U.S. Treasury thinking, in conjunction with what we already know of the British position, should remove any doubts that there may have been about the soundness of the conclusion that a settlement by Canada with the Korean Government is not an urgent question.

Yours sincerely,

(Sgd.) C.A. Annis,
Financial Secretary.

caa/mmc

c.c. External Affairs

Ext. 182B

FILE COPY

OTTAWA FILE

No.

Letter No. 889

Date. August 26, 1952.

SECURITY CLASSIFICATION

RESTRICTED

FROM: The Canadian Embassy, Tokyo, Japan

TO: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Reference. My letter No. 788 of July 24, 1952.

Subject: Korean Currency for Canadian Forces

Attached is a copy of a release from the Public Information Office, HQ Far East Command, dated August 23, announcing that the U.S. Government will shortly make a substantial second dollar payment to the Republic of Korea for Korean currency advanced by the ROK Government to U.S. forces in Korea for local expenses. The release notes that the dollars realized should assist the Korean Government in developing a balanced import programme.

2. Those in the Department dealing with the U.N. Korean Reconstruction Agency will be aware that that organization is concerned to arrest the inflationary spiral in Korea and has considered various means of making foreign currency available for imports in return for Korean currency which would be used for UNKRA projects inside the country. The ROK Government has complained that inflation is caused in large measure by the substantial drawings of won currency by U.N. forces. Letter 1480 of June 25, 1952 from the Canadian Embassy, Washington, states the reason why the British Embassy there considers that the question of repayment of U.K. drawings should not be raised at this time. On the other hand, it is evident that the U.S., as by far the largest drawer of won currency, considers that periodic settlements are both economically and politically desirable.

Original Signed by
A. R. MENZIES

A. R. Menzies
Charge d'Affaires a.i.

Copies Referred

To.

.....

.....

.....

.....

.....

.....

No. of Enclosures

1

.....

Post File

No. 210-7-3A ✓

HEADQUARTERS
FAR EAST COMMAND
Public Information Office

0700
23 Aug 1952

Immediate Release:

U. S. ANNOUNCES PLANS FOR EARLY PAYMENT OF DOLLARS TO ROK

TOKYO—The United States Government is taking the necessary steps to effect in the near future a substantial second dollar payment to the Republic of Korea for won currency advanced by the ROK to United States forces in Korea for local expenses, it was announced by Maj. Gen. Thomas W. Herren, CINCPAC representative on the Combined Economics Board.

This payment, as well as subsequent settlements, is governed by the terms of notes exchanged on May 24, 1952 between representatives of the United States Government and the Republic of Korea.

It is anticipated that these dollar payments to the Korean Government will materially aid that government in developing a balanced import program which will supplement current United States and United Nations contributions of consumer goods and essential rationed materials to the Korean economy.

-O-

Menzies:MMcK

Ext. 182B

FILE COPY

OTTAWA FILE

No.....

Letter No.....288.....

Date.....July 24, 1952.....

SECURITY CLASSIFICATION

RESTRICTED

FROM: THE CANADIAN EMBASSY, TOKYO, JAPAN

TO: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Reference....My Letter No...901 of October 22, 1951.....

Subject:.....KOREAN CURRENCY FOR CANADIAN FORCES.....

In my letter under reference, I suggested the desirability of the Government reviewing the provision in an agreement signed between the United States and the Republic of Korea Governments on July 28, 1950, whereby "settlement of any claims arising from the provision and use of currency and credits ... shall take place directly between the governments of the forces concerned and the government of the Republic of Korea". I had discussed this matter with Colonel D. F. Purves, Director of the Army Budget.

2. In his despatch No. 3617 of December 24, 1951, Mr. Wrong reported that the United States had made an interim settlement of some \$12 million for Korean Won drawings for the period up to July 31, 1951, at the rate of 6,000 Won to the U.S. Dollar. It was thought that a further computation would be made at the end of the year and from time to time thereafter. (Mr. Wrong quite properly threw cold water on the somewhat ill conceived suggestion I had put forward that claims against Canada might be offset against our contribution to UNKRA.)

3. Since then, there has been another communication which we seem to have temporarily misplaced, in which the British Embassy in Washington was reported to not be contemplating any early settlement with the Korean authorities. Although no very convincing reasons were set out for this decision, it was concluded that no further action should be taken at this time by the Canadian authorities.

4. I am quite prepared to accept your decision not to discuss further the making of interim settlements from time to time with the Korean Government in the same way as the U.S. Government is doing. The amount of debt we are accumulating is not large, although it might be suggested that settlement of even a small amount would assist in curbing inflationary tendencies in Korea. However, I would like to bring to your attention the fact that the open market rate on the Korean Won differs substantially from the official exchange rate. You may wish to consider some means of keeping in

.... 2

- 2 -

touch with these variations in the exchange rate from time to time, in order to be in a position to discuss a realistic settlement with the Korean Government when that time seems to you propitious. The official rate of exchange is still 6,000 Korean Won to \$1 U.S. However, I was informed the other night by a Canadian missionary, Reverend E.J.O. Fraser of the United Church of Canada who makes his headquarters in Pusan, that his last conversions were made at the rate of 24,000 Won to the Dollar. He is now keeping his books at 20,000 Won to the Dollar. It is apparently not necessary to go to the Black Market to get this more favourable exchange rate. He can have a U.S. Dollar cheque notarized at an authorized bank for payment to any approved importer who requires to make purchases abroad. The Government in these cases does not seek to fix the rate of exchange that will be paid by the Korean importer to the person selling him a Dollar cheque.

5. I do not want to be bothersome about this matter as it is really outside of my area of direct responsibility but thought it might be of interest for you to know that there is this substantial difference in the actual exchange rate and the official exchange rate.

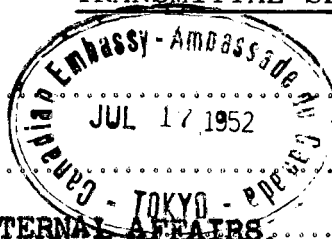
Original Signed by
A. R. MENZIES

A. R. Menzies,
Chargé d'Affaires a.i.

TRANSMITTAL SLIP

210-7-3A ✓

TO: THE CANADIAN EMBASSY,
Tokyo, Japan



FROM: THE DEPARTMENT OF EXTERNAL AFFAIRS,
CANADA

Security... **CONFIDENTIAL**

Date... **July 9, 1952**

Air or Surface.....

No. of enclosures... **2**

The documents described below are for your information.

*To see
Mr Pettie ERH
Brig Comally CPH
file
AM.*

Despatching Authority: **Def. Liaison(1)/PABeaullieu/co....**

Copies	Description	Also referred to:
1	Letter No. D-1154 of July 8 to our Embassy in Washington re: Financial (Currency) Arrangements for Canadian Units in Korea	Tokyo London Greece Turkey
1	Letter No. 1480 of Junr 25, 1952 from Washington re same subject as above	

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

Ext. 181 C

DUPLICATE

OTTAWA FILE
No. 10818-A-40

Letter No. D-1154
Date July 8, 1952.

SECURITY CLASSIFICATION
CONFIDENTIAL

FROM: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA
TO: THE CANADIAN EMBASSY, WASHINGTON, D.C.
Reference: Your letter No. 1480 of June 25, 1952.
Subject: Financial (Currency) Arrangements for Canadian Units in Korea

We were very interested to learn that neither the United Kingdom nor Australia have discussed with the Korean Government the question of reimbursement for drawings of Korean currency advanced to their troops. We may add that the views expressed by the officials of the United Kingdom Embassy in Washington are, generally speaking, in accordance with departmental policy on this subject.

2. Your letter under reference was brought to the attention of the Department of Finance and the Department of National Defence for their comments. Both departments agree with your suggestion contained in para 2, and it will not, therefore, be necessary for you to consult with the Embassies of Greece, Thailand, and Turkey on this problem. Until you receive further instructions, you may leave the matter stand.

Under-Secretary of State
for External Affairs.

Copies Referred To: Tokyo..... London..... Greece..... Turkey.....
No. of Enclosures
Post File No.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO. THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN EMBASSY,
WASHINGTON, D.C.

Reference: Your Despatch D-1023 of June 5

Subject: Financial (Currency) Arrangements
for Canadian Units in Korea

Security:....CONFIDENTIAL.....

No:.....1480.....

Date:.....June 25, 1952.....

Enclosures:.....

Air or Surface Mail:.....

Post File No:.....

Ottawa File No.

References

From our discussions with officials of the British and Australian Embassies in Washington we have determined that neither the British nor the Australians have discussed with the Korean Government the question of reimbursement for drawings of Korean won. Mr. Carghill, of the British Embassy, in particular indicated that it would be highly undesirable at this time to make enquiries which might have the effect of suggesting to any U.N. country concerned the idea of entering into discussions concerning the problem of settlement either with officials of the Korean or United States Governments. Carghill referred to the recent U.S. agreement regarding their basis for settlement and said that, fortunately, it had not, as yet, inspired the Korean Government to approach the United Kingdom or (so far as he knew) any other U.N. country about a settlement. He thought that if the matter of settlement for drawings of local currency were discussed it would immediately raise troublesome questions ranging from the determination of the appropriate rate of exchange to the problem of a general financial settlement.

2. In view of the attitude expressed by Mr. Carghill, we did not deem it appropriate at this time to consult with the Embassies of Greece, Thailand and Turkey on this problem. May we have your views?

Internal
Circulation

(SGD.)

G. Ignatieff

for The Embassy

Distribution
to Posts

TRANSMITTAL SLIP

Mr. Ketter & Bell file
210-7-3A
sgm

TO: THE CANADIAN EMBASSY,.....

TOKYO, JAPAN

FROM: THE DEPARTMENT OF EXTERNAL AFFAIRS,.....

CANADA

Security..... **RESTRICTED**

Date..... July 7, 1952.....

Air or Surface.....

No. of enclosures..... 1.....

The documents described below are for your information.

Despatching Authority..... **Def. Liaison 1/PABeaullieu/cc**.....

Copies

Description

Also referred to:

1

Despatch No. 277 of July 7, 1952
from Ankara, Turkey

re: Financial (currency) arrange-
ments for Canadian units in
Korea

~~Tokyo~~

London

Washington

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

DESPATCH

TO: THE SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA, CANADA.

FROM: THE CANADIAN AMBASSADOR, ANKARA,.....
TURKEY.....

Reference:.. Your Despatch D-... of June 6, 1952...
to the Canadian Embassy, Washington
Subject:.... Financial (currency) arrangements...
for Canadian units in Korea

Security:.... **RESTRICTED**.....

No:..... **277**.....

Date:..... **July 7, 1952**.....

Enclosures:.....

Air or Surface Mail:.....

Post File No:.....

Ottawa File No.

50069-H-40

References

Yesterday, when talking with Mr. Acikalin, the Secretary General of the Turkish Ministry of Foreign Affairs, the conversation turned to Korea. It gave me an excellent opportunity to ask Mr. Acikalin how Turkey handled its Korean currency problem - how and on what basis it secured the Korean currency required for its troops in Korea and in what way it compensated Korea therefor.

2. Mr. Acikalin told me Turkey did not deal with Korea at all. It secured all its Korean currency from the United States. This has been done from the beginning. Turkey does not know on what terms the United States will settle with Korea. It assumes that its own settlement with the United States will follow that of the United States with Korea.

3. Mr. Acikalin assured me that if there were any developments he would let me know.

(SGD.) VICTOR W. ODLUM

Canadian Ambassador

Internal
Circulation

Distribution
to Posts

TRANSMITTAL SLIP

TO: CANADIAN EMBASSY,
TOKYO, JAPAN
FROM: The Under-Secretary of State
for External Affairs.

Security. RESTRICTED

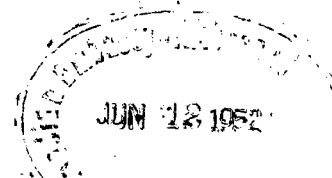
Date. June 6, 1952

Air or Surface... Air

No. of enclosures.... 1

The documents described below are for your information.

Despatching Authority... P.A. Beaulieu-ams



Copies	Description	Also referred to:
1	Copy of despatch of June 5, 1952, to the Canadian Embassy, Washington. <u>Re:</u> Financial (Currency) arrangements for Canadian units in Korea	Tokyo Canada House Greece Turkey <i>Mr. Menzies (outstanding)</i> <i>Brig. Comnelly 6/12/52</i> <i>Sgt. McNamee</i> <i>4 file</i> <i>Ed L.</i>

INSTRUCTIONS

1. This form may be used in sending material for informational purposes from the Department to posts abroad and vice versa.
2. This form should *NOT* be used to cover documents requiring action.
3. The name of the person responsible for authorizing the despatch of the material should be shown opposite the words "Despatching Authority". This may be done by signature, name stamp or by any other suitable means.
4. The form should bear the security classification of the material it covers.
5. The column for "Copies" should indicate the number of copies of each document transmitted. The space for "No. of Enclosures" should show the total number of copies of all documents covered by the transmittal slip. This will facilitate checking on despatch and receipt of mail.

DUPLICATE

OTTAWA FILE

No.

SECURITY CLASSIFICATION

RESTRICTED

Despatch No. D-

Date June 5, 1952

FROM: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

TO: THE CANADIAN EMBASSY, WASHINGTON, D.C.

Reference.....Your despatch No. 3517 of December 24, 1952

Subject:.....Financial (Currency) Arrangements for Canadian Units
in Korea.

You will recall that in our despatch No. 3584 of December 15, 1951, we informed you that the Assistant Deputy Minister of Finance expressed the view that there would appear to be no reason for urgency about settlement with the Korean Government of the drawings of Korean currency by the Canadian Brigade in Korea. Although this view has not been modified, it is thought advisable to give further consideration to this problem.

It would be helpful to us to know the views of other governments operating in the United Nations Forces as to how this could be settled. Although in your despatch No. 465 of February 5, 1951, you reported that the United States Treasury Department doubted very much whether any of the other governments concerned would work out with the Korean Government any settlement without first discussing the matter with United States authorities, we do not feel that you should again approach the State Department for information, but that we should try to obtain it from direct sources. As presumably, these governments will first be discussing the matter in Washington, will you please approach informally, unless you see any objection, the Embassies of such countries as Greece, Thailand, Turkey, and the United Kingdom with a view to finding out whether their governments are planning to discuss the matter with the Korean Government or whether they are not for the time being contemplating to take action with respect to reimbursement. If discussions are expected, we should like to have some idea as to the proposals the above governments are likely to put forward to the Korean Government with a view to reaching an agreement concerning the reimbursement of Korean currency made available to their forces in Korea by the Korean Government authorities.

Copies Referred

To.....
.....
.....
.....
.....
.....

No. of Enclosures

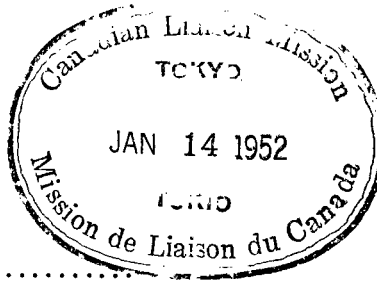
.....

Post File

No.....

SECRETARY OF STATE
FOR EXTERNAL AFFAIRS.

xt. 181A



file
AJM

OTTAWA FILE

No.

SECURITY CLASSIFICATION

RESTRICTED

Letter No. D- 13-

Date. January 7, 1952.

FROM: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

TO: HEAD OF THE CANADIAN LIAISON MISSION, TOKYO, JAPAN.

Reference.....

Subject:..... Financial arrangements for Canadian Units in Korea.

I enclose for your information a copy of
Despatch No. 3617 dated December 24, 1951, from
the Canadian Ambassador, Washington, D. C.

Copies Referred
To.....
.....
.....
.....
.....
.....

No. of Enclosures
..... 1

Post File

No. 210-7-2A.1 ✓

for *W. A. S. G.*
Under-Secretary of State
for External Affairs.

- 2 -

It would be giving a strained interpretation to Korean relief and rehabilitation to regard the payment of Won to Canadian troops in Korea as coming within this category. If we were to take this position UNKRA might be greatly embarrassed by the precedent set. It would also be of no assistance to the Korean Government's efforts to combat the inflationary effects of the large drawings of Won by U.N. forces in Korea.

H. H. Wrong

file
Agm



OTTAWA FILE

No.

SECURITY CLASSIFICATION

RESTRICTED

Letter No. *D. 1458*
Date..... December 29, 1951

FROM: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA
TO: Canadian Liaison Mission, Tokyo, Japan.
Reference..... Your letter No. 901 dated October 22, 1951.
Subject:..... Financial Arrangements for Canadian Units in Korea

I enclose, for your information,
a copy of letter No.D3584 to the Canadian
Ambassador, Washington, dated December 15,
1951.

[Signature]
Under-Secretary of State
for External Affairs.

Copies Referred
To.....
.....
.....
.....
.....
.....

No. of Enclosures
.....

Post File

No. *210-7-3A*.....

Defence Liaison (1) P.A. Beaulieu/me

Ext 79 C

DUPLICATE

OTTAWA FILE

No.

Despatch No. **D. 3584**
Date **December 15, 1951**

SECURITY CLASSIFICATION

RESTRICTED

FROM: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA
TO: THE CANADIAN AMBASSADOR, WASHINGTON, D.C.
Reference: Your despatch No. 465 of February 5, 1951
Subject: Financial arrangements for Canadian Units in Korea

Copies Referred To.....

No. of Enclosures
t h r e e.....

Post File

No.

On the basis of your despatch under reference reporting that the United States Treasury Department had made no definite arrangements with the Korean Government in connection with the reimbursement of Korean won received by U.S. forces, the Department thought it preferable to defer any further action for the present, with a view to reaching an agreement for the repayment of Korean currency received by the Canadian Brigade in Korea.

2. Recently the Head of the Canadian Liaison Mission in Japan reopened the matter and put forward a suggestion that these drawings might be offset against the Canadian contribution to UNKRA. Mr. Menzies had discussed the matter with Colonel D.P. Purves, Director of Army Budget of the Department of National Defence while he was in Tokyo. Enclosed for your information is a copy of Letter No. 901 dated October 22, 1951 from the Canadian Liaison Mission in Japan.

3. A few days ago we communicated with the Department of National Defence with a view to finding out whether Colonel Purves was back in Ottawa and whether the problem of settlement of the drawings by the Canadian Brigade in Korea of Korean currency was to be discussed. According to our information, on November 20 the Department of National Defence took up this question with the Department of Finance. In his reply dated November 29, the Assistant Deputy Minister of the Department of Finance expressed the view that there would appear to be no reason for urgency about settlement with the Korean Government. For your information, you will find enclosed copy of the exchange of letters between the Department of Finance and the Department of National Defence.

4. As several months have elapsed since your despatch under reference was received and in view of the concern expressed by the Head of our Mission in Japan, we should appreciate being advised whether the United States authorities have made any progress with a view to negotiating terms of settlement with the Korean authorities.

(SGD.) A. D. P. HEENEY
Secretary of State
for External Affairs

Menzies:MMCK

Ext 182B

FILE COPY

OTTAWA FILE

No.....

Letter No. 901

Date. October 22, 1951

SECURITY CLASSIFICATION

Restricted

FROM: THE CANADIAN LIAISON MISSION, TOKYO, JAPAN.

TO: THE UNDER-SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

Reference.....

Subject: Korean Currency for Canadian Forces

Copies Referred
To.....
Brigadier....
Bernatchez,
Can. Military
Mission, Tokyo
.....

No. of Enclosures
.....2.....

Post File

No. 210-7-3A...

I have been becoming somewhat concerned during the last two or three months about the problem of settlement of the drawings by the Canadian Brigade in Korea of Korean currency. I discussed this matter with Colonel D. F. Purves, Director of Army Budget, Department of National Defence, when he was in Tokyo last week in connection with an attempt that he is making to arrive at a per diem settlement with the United States and United Kingdom Governments for their contributions to the maintenance of Canadian troops in Korea. I attach a copy of the note I wrote as an Aide Memoire for Colonel Purves. He promised to look into the matter while out here and then to discuss the subject with the Department on his return to Ottawa.

2. I also attach a copy of the agreement signed between the United States and Republic of Korea Governments on July 28, 1950, which I have obtained from Brigadier Bernatchez. You will observe in Article 5 that "settlement of any claims arising from the provision and use of currency and credits under the Agreement ... shall take place directly between the Governments of the Forces concerned and the Government of the Republic of Korea. Such negotiations shall be deferred to a time or times mutually satisfactory to the respective Governments and the Government of the Republic of Korea".

3. I would suggest that you put a B.F. on this letter and take it up with Colonel Purves in, say, three weeks' time when he has returned to Ottawa. It would seem to me desirable then to find out what the United States, United Kingdom and other Governments are doing and planning in regard to settlement of these claims. If you think it appropriate to try to get these claims offset against the Canadian contribution to UNKRA, it would seem to me better to have this matter negotiated between our Embassy in Washington and the Korean Embassy there than to try to undertake the matter here in Tokyo. I would be grateful, however, if you would keep me informed concerning any developments in this matter.

A. R. MENZIES

A. R. Menzies.

Head of the Canadian Liaison
Mission in Japan.

CANADIAN LIAISON MISSION

October 17, 1951

NOTE FOR COLONEL D. F. PURVES:

Korean Currency

We discussed briefly at lunch to-day the matter of repayment of Korean currency now being drawn by 25 CIB for payment of Korean labour, spending money for the troops, etc. You agreed to look into this matter at Brigade Headquarters and on your return to Ottawa.

2. As I understand it, in July or August, 1950, U.S. Ambassador to Korea Mr. John J. Muccio signed an agreement with the Republic of Korea Government in the name of the United Nations by which U.N. Forces might draw Korean currency in accordance with their requirements. Settlement of this account would be made in the indefinite future when an equitable exchange rate, etc., could be agreed upon. Brigadier Fleury told me that he had a copy of this agreement on his file and had sent one to Ottawa. It is on the basis of this agreement that we have been drawing our Korean currency requirements in Korea. I do not know at all how much has been drawn or what the current monthly drawing would be. I would not expect it to be large but it may run into some hundreds of thousands of dollars before we are through.

3. About two months ago, the Korean Government began to complain publicly that one of the principal causes of inflation in Korea was the large amount of Korean currency being drawn by U.N. Forces. They asked for some payment to be made on this account by the U.S. Government to assist the Korean Government to purchase needed items abroad to help stabilize the economy. The U.S. Government at first resisted strongly but, I understand, has recently agreed to make an initial payment of some \$14 million.

4. It seems to me that we should not let this matter lie dormant until we have run up a large bill. Rather, I think we should take steps to discuss the matter with the Unified Command in Washington to see what policy U.S. and other governments intend to follow in settlement of this account. On the credit side of the ledger, we in Canada have \$7½ million which we have contributed to the U.N. Korean Reconstruction Agency. In my opinion, we

- 2 -

would be able to make a pretty good case at this time for having this contribution offset against our drawings of Korean currency. It might not be quite as easy to make that case in two or three years' time.

A.R. MENZIES

.....
A. R. Menzies,
Head of the Canadian
Liaison Mission
in Japan.

c.c. Brigadier Bernatchez,
Canadian Military Mission.

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF KOREA
REGARDING EXPENDITURES BY FORCES UNDER COMMAND
OF THE COMMANDING GENERAL ARMED FORCES OF
THE MEMBER STATES OF THE UNITED
NATIONS

July 28, 1950

AGREEMENT BETWEEN

THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF KOREA

REGARDING EXPENDITURES BY FORCES UNDER COMMAND
OF THE COMMANDING GENERAL ARMED FORCES OF THE
MEMBER STATES OF THE UNITED NATIONS

PREAMBLE

OBJECT

This Agreement between the Government of the United States and the Government of the Republic of Korea shall govern the relationships with respect to provision and use of currency and credits between the Government and people of the Republic of Korea and forces operating in Korea under the Unified Command of the Commanding General of the Armed Forces of Member States of the United Nations designated by the United States pursuant to the resolutions of the United Nations Security Council of June 25, 1950, June 27, 1950 and July 7, 1950.

1. LOCAL CURRENCY PROVIDED BY THE REPUBLIC OF KOREA.

The Government of the Republic of Korea shall provide the Commanding General of the Armed Forces of the Member States of the United Nations (hereinafter referred to as the Commanding General), with currency of the Republic of Korea and credits in such currency (hereinafter referred to as local currency and credits) in such amounts, of such types and at such times and places as he may request, for expenditures arising out of operations and activities in Korea and Korean territorial waters involving participation of forces under his command.

...../2

- 2 -

2. RETURN OF LOCAL CURRENCY AND CANCELLATION
OF CREDITS.

The Commanding General may, at any time, return to the Government of the Republic of Korea all or any part of the local currency provided under paragraph 1 above, and request the cancellation of all or any part of any credits in such currency which may have been opened in his favour. Upon the termination of this Agreement, the Commanding General shall return to the Government of the Republic of Korea all local currency provided under paragraph 1 above, remaining in his possession, and the unused portion of any credits which may have been opened in his favour shall be cancelled.

3. USE OF OTHER CURRENCIES.

If it should become desirable to use currency other than local currency agreed to be provided under paragraph 1 above, the Commanding General may cause such currency to be used to the extent deemed appropriate.

4. REPORTS TO THE REPUBLIC OF KOREA.

If the Commanding General transfers local currency and credits to the Forces of other countries participating under his Command, the Government of the Republic of Korea shall be advised from time to time of such transfers.

5. DEFERMENT OF SETTLEMENT.

Settlement of any claims arising from the provision and use of currency and credits under the Agreement, including currency caused to be used under paragraph 3 above, shall take place directly between the

.... /3

- 3 -

Governments of the Forces concerned and the Government of the Republic of Korea. Such negotiations shall be deferred to a time or times mutually satisfactory to the respective Governments and the Government of the Republic of Korea. Where currency of the United States or of a third country has been transferred by the Commander-in-Chief to the Forces of third Governments, the right of the Government of the United States to make arrangements for reimbursement for such transfers directly with the recipient government shall not be prejudiced in any manner.

6. MAINTENANCE OF RECORDS.

Records shall be maintained reflecting the amounts of currency and credits received and transferred under this Agreement, including the amounts of currency received and transferred under paragraph 3 above.

7. EFFECTIVE DATE AND TERMINATION.

This Agreement shall enter into operation and effect immediately upon the signature hereof and shall continue in effect until it is mutually agreed that the need thereof has ceased.

8. REGISTRATION WITH THE SECRETARY GENERAL OF THE UNITED NATIONS.

This Agreement shall be registered with the Secretary General of the United Nations in compliance with the provisions of Article 102 of the Charter of the United Nations.

9. SUPERSEDING OF AGREEMENT OF JULY 6, 1950.

This Agreement shall supersede the Agreement of July 6, 1950, between the United States Armed Forces in

.../4

- 4 -

Korea and the Republic of Korea pursuant to which the Bank of Korea agreed to advance currency of the Republic of Korea to the Finance Officer, United States Forces in Korea, against reimbursement at the rate of exchange in effect on the date such currency is expended. Any currency advanced under the Agreement of July 6, 1950, shall be deemed to have been provided under this Agreement. The Agreement of July 6, 1950, is hereby abrogated.

DONE in duplicate, in the English and Korean languages, at TAEGU, KOREA, on this 28th day of July, 1950. The English and Korean texts shall have equal force but in the case of divergence, the English text shall prevail.

IN WITNESS WHEREOF, the respective Representatives, duly authorized for the purpose, have signed the present AGREEMENT.

FOR THE GOVERNMENT OF THE
UNITED STATES:

.....BY.....
(John J. Muccio)

FOR THE GOVERNMENT OF THE
REPUBLIC OF KOREA:

.....BY.....
(Soon Ju Chey)

IN REPLY PLEASE QUOTE

No. CMM FE 6-5-2 (A) Vol I



CANADA

Department of National Defence
Army

Tokyo, Japan,
October 17, 1951.

Mr. A.R. Menzies,
Head of the Canadian Legation,
TOKYO, JAPAN.

Dear

Herewith enclosed a copy of the currency agreement
between the United States of America and the Republic of Korea.

Yours truly,

Brigadier JPE Bernatchez,
Canadian Military Mission,
Far East.

AGREEMENT BETWEEN
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF KOREA
REGARDING EXPENDITURES BY FORCES UNDER COMMAND
OF THE COMMANDING GENERAL ARMED FORCES OF THE
MEMBER STATES OF THE UNITED NATIONS

July 28, 1950

AGREEMENT BETWEEN

THE GOVERNMENT OF THE UNITED STATES OF AMERICA
AND THE GOVERNMENT OF THE REPUBLIC OF KOREA

REGARDING EXPENDITURES BY FORCES UNDER COMMAND
OF THE COMMANDING GENERAL ARMED FORCES OF THE
MEMBER STATES OF THE UNITED NATIONS

PREAMBLE

OBJECT

This Agreement between the Government of the United States and the Government of the Republic of Korea shall govern the relationships with respect to provision and use of currency and credits between the Government and people of the Republic of Korea and forces operating in Korea under the Unified Command of the Commanding General of the Armed Forces of Member States of the United Nations designated by the United States pursuant to the resolutions of the United Nations Security Council of June 25, 1950, June 27, 1950 and July 7, 1950.

1. LOCAL CURRENCY PROVIDED BY THE REPUBLIC OF KOREA.

The Government of the Republic of Korea shall provide the Commanding General of the Armed Forces of the Member States of the United Nations (hereinafter referred to as the Commanding General), with currency of the Republic of Korea and credits in such currency (hereinafter referred to as local currency and credits) in such amounts, of such types and at such times and places as he may request, for expenditures arising out of operations and activities in Korea and Korean territorial waters involving participation of forces under his command.

2. RETURN OF LOCAL CURRENCY AND CANCELLATION OF CREDITS.

The Commanding General may, at any time, return to the Government of the Republic of Korea all or any part of the local currency provided under paragraph 1 above, and request the cancellation of all or any part of any credits in such currency which may have been opened in his favour. Upon the termination of this Agreement, the Commanding General shall return to the Government of the

...../2

- 2 -

Republic of Korea all local currency provided under paragraph 1 above, remaining in his possession, and the unused portion of any credits which may have been opened in his favour shall be cancelled.

3. USE OF OTHER CURRENCIES.

If it should become desirable to use currency other than local currency agreed to be provided under paragraph 1 above, the Commanding General may cause such currency to be used to the extent deemed appropriate.

4. REPORTS TO THE REPUBLIC OF KOREA.

If the Commanding General transfers local currency and credits to the Forces of other countries participating under his Command, the Government of the Republic of Korea shall be advised from time to time of such transfers.

5. DEFERMENT OF SETTLEMENT.

Settlement of any claims arising from the provision and use of currency and credits under the Agreement, including currency caused to be used under paragraph 3 above, shall take place directly between the Governments of the Forces concerned and the Government of the Republic of Korea. Such negotiations shall be deferred to a time or times mutually satisfactory to the respective Governments and the Government of the Republic of Korea. Where currency of the United States or of a third country has been transferred by the Commander-in-Chief to the Forces of third Governments, the right of the Government of the United States to make arrangements for reimbursement for such transfers directly with the recipient government shall not be prejudiced in any manner.

6. MAINTENANCE OF RECORDS.

Records shall be maintained reflecting the amounts of currency and credits received and transferred under this Agreement, including the amounts of currency received and transferred under paragraph 3 above.

...../3

- 3 -

7. EFFECTIVE DATE AND TERMINATION.

This Agreement shall enter into operation and effect immediately upon the signature hereof and shall continue in effect until it is mutually agreed that the need therefor has ceased.

8. REGISTRATION WITH THE SECRETARY GENERAL OF THE UNITED NATIONS.

This Agreement shall be registered with the Secretary General of the United Nations in compliance with the provisions of Article 102 of the Charter of the United Nations.

9. SUPERSEDING OF AGREEMENT OF JULY 6, 1950.

This Agreement shall supersede the Agreement of July 6, 1950, between the United States Armed Forces in Korea and the Republic of Korea pursuant to which the Bank of Korea agreed to advance currency of the Republic of Korea to the Finance Officer, United States Forces in Korea, against reimbursement at the rate of exchange in effect on the date such currency is expended. Any currency advanced under the Agreement of July 6, 1950, shall be deemed to have been provided under this Agreement. The Agreement of July 6, 1950, is hereby abrogated.

DONE in duplicate, in the English and Korean languages, at TAEGU, KOREA, on this 28th day of July, 1950. The English and Korean texts shall have equal force but in the case of divergence, the English text shall prevail.

IN WITNESS WHEREOF, the respective Representatives, duly authorized for the purpose, have signed the present AGREEMENT.

FOR THE GOVERNMENT OF THE
UNITED STATES:

.....BY.....
(John J. Muccio)

FOR THE GOVERNMENT OF THE
REPUBLIC OF KOREA:

.....BY.....
(Soon Ju Chey)

October 17, 1951.

NOTE FOR COLONEL D. F. PURVES:

Korean Currency

We discussed briefly at lunch to-day the matter of repayment of Korean currency now being drawn by 25 CIB for payment of Korean labour, spending money for the troops, etc. You agreed to look into this matter at Brigade Headquarters and on your return to Ottawa.

2. As I understand it, in July or August, 1950, U.S. Ambassador to Korea, Mr. John J. Muccio, signed an agreement with the Republic of Korea Government in the name of the United Nations by which U.N. Forces might draw Korean currency in accordance with their requirements. Settlement of this account would be made in the indefinite future when an equitable exchange rate, etc., could be agreed upon. Brigadier Fleury told me that he had a copy of this agreement on his file and had sent one to Ottawa. It is on the basis of this agreement that we have been drawing our Korean currency requirements in Korea. I do not know at all how much has been drawn or what the current monthly drawing would be. I would not expect it to be large but it may run into some hundreds of thousands of dollars before we are through.

3. About two months ago, the Korean Government began to complain publicly that one of the principal causes of inflation in Korea was the

.... 2

- 2 -

large amount of Korean currency being drawn by U.N. Forces. They asked for some payment to be made on this account by the U.S. Government to assist the Korean Government to purchase needed items abroad to help stabilize the economy. The U.S. Government at first resisted strongly but, I understand, has recently agreed to make an initial payment of some \$14 million.

4. It seems to me that we should not let this matter lie dormant until we have run up a large bill. Rather, I think we should take steps to discuss the matter with the Unified Command in Washington to see what policy U.S. and other governments intend to follow in settlement of this account. On the credit side of the ledger, we in Canada have \$7½ million which we have contributed to the U.N. Korean Reconstruction Agency. In my opinion, we would be able to make a pretty good case at this time for having this contribution offset against our drawings of Korean currency. It might not be quite as easy to make that case in two or three years' time.

A. R. MONZIES

.....
A. R. Monzies,
Head of the Canadian
Liaison Mission in
Japan.

c.c. Brigadier Bernatchez.