

CONFIDENTIAL

Department of External Affairs

Subject:

File No. 7-2-4-2

Volume

From

To 30 April 1957

KOREA - Status of Forces
Claims negotiations

Date	Referred To	Returned	Date	Referred To	Returned
	<p>TOP SECRET DOWNGRADED TO SECRET REDUIT A SECRET</p> <p>WHS (MAIL)</p> <p>FEB - 1 1985</p>				
<p>Changed from 210-7-13</p>					
<p>DECLASSIFIED</p>					
<p>ACCESS TO INFORMATION / L'ACCES A L'INFORMATION / EXAMINED BY / EXAMINE PAR:</p> <p><i>Kenneth C. Brown</i></p> <p>DATE / DATE: <i>March 22, 1991</i></p>					



No. Sp. 2895

File No. 7-7-4-2 Vol. 10

FAH

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

DEPARTMENT OF EXTERNAL AFFAIRS

Subject Korean Claims

File
7-24-2

Date April 26, '57 Publication The Korean Republic

Page 4

THE KOREAN REPUBLIC

Settlement Expected In UN Command Debts

A mutually acceptable arrangement is expected to be worked out soon for settlement of the long-outstanding debts incurred by the United Nations Command for use by U.N. troops in Korea of public utility services since the early days of the Korean War.

Reconstruction Minister Hyun Chul Kim and three other

Cabinet officials yesterday called on President Syngman Rhee to confer on a recent UNC proposal to pay utility bills for the period from the time of the signing of the Armistice Agreement to date, informed officials said.

The UNC proposal also calls for entering into contracts providing for monthly payment of utility bills hereafter.

Contract Examination

The UNC plans were reportedly outlined in a letter of Apr. 16 sent to the Government by Gen. L. L. Lemnitzer, UNC-FEC Commander.

The Reconstruction Minister, later yesterday, sent a note to Gen. Lemnitzer requesting a joint preliminary examination of the draft of utility contracts that have been prepared by Government Ministries concerned.

Utility charges billed UNC since the establishment of the Armistice amount to 8.7 billion hwan, or about \$41 million. The sum breaks down to four billion hwan (\$16.7 million) for power, 1.3 billion hwan (\$2.6 million) for communications, and 3.3 billion hwan (\$21 million) for water. (NOTE: The exchange rate in converting hwan to dollars involved in these figures varies, as the rate has been revised several times over the years.)

TRANSMITTAL SLIP

TO: The Canadian Embassy
Tokyo, Japan.

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

The documents described below are for your information.

Despatching Authority: Far Eastern Division/
R. L. Rogers/gh.

Security: **SECRET**

Date: April 24, 1957

Air or Surface: **Air**

No. of enclosures: **1**

~~7-13~~

7-2-4-2

Copies

Description

Also referred to:

1

Letter to F. R. Miller, Deputy
Minister, Dept. of National Defence,
Ottawa.

SUBJECT: "Canadian Representation on
the Advisory Group, United Nations
Command Component, Military Armistice
Commission in Korea".



NO.	INIT.
AMBASSADOR	
NEWTON	<i>m</i>
WALSTEAD	
3 GORHAM	<i>5</i>
SMITH	
4 CHOQUETTE	<i>09</i>
MISS CURRIE	

file in 1-64-4-2

INSTRUCTIONS

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SECRET

April 23, 1957.

Dear Sir:

Canadian Representation on the Advisory Group,
United Nations Command Component,
Military Armistice Commission in Korea

I refer to your letter of April 12 (HQTS 2719-34/178 Vol.2; DMOP 3B) concerning the position of the Canadian Representative on the Participating Nations Advisory Group, United Nations Command, Military Armistice in Korea.

I note that it is proposed to have Major G. D. Cochrane, the present incumbent of this post, return to Canada in September instead of in December, in order to take up a liaison appointment in the United States. Recognizing that there are undoubtedly important considerations involved in the decision to withdraw Major Cochrane before the end of his normal tour of duty in Korea, this Department would not, of course, offer objections to the proposed arrangements for his early return.

We have reviewed the situation with regard to Canadian participation in the Advisory Group and we have come to the conclusion that it would be desirable to continue the present arrangement. I should therefore hope that your Department

F. H. Miller, Esq.,
Deputy Minister,
Department of National Defence.

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- 2 -

ould provide a replacement for Major Cochrane.

Our reasons for making this recommendation might be summarized as follows:

- (a) Although the spotlight of world attention has shifted from Korea to other parts of the world, developments of both a political and a military nature in that country are still of considerable interest and importance to us and we are anxious to ensure that our sources of first-hand information on Korean affairs should if possible be maintained. In this regard we have found the reports of the Canadian Representative on UNCOMKAG - and especially the work of Major Cochrane - very useful in providing information which would not otherwise be so readily available. Moreover, the working arrangements which have developed between the Canadian Representative and the officer of our Embassy in Tokyo who has special responsibilities regarding Korea, have proved highly satisfactory insofar as exchanging information and providing useful personal contacts are concerned. We would therefore be most reluctant to see these channels disrupted.
- (b) In the absence of a Canadian diplomatic mission in Korea and in the interests of maintaining at least an element of the international aspect of the United Nations Command, we believe that the position in question has considerable importance from a representational point of view. This aspect of Canadian participation in the Advisory Group, serving as it does as a reminder that the United Nations Command although preponderantly American in character is not exclusively so, will become increasingly important with the forthcoming withdrawal of Commonwealth forces from Korea.
- (c) The continuing opportunity for first-hand experience of Communist methods we consider to be valuable, not only in itself but also for purposes of comparison with our experience in similar, if not identical, situations elsewhere in the world.
- (d) Finally, we expect that during the year there will

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- 3 -

be some very important new developments in the Korean situation. In the first place, the headquarters of the U. S. Far East Command is scheduled to move from Tokyo to Seoul this summer. More significant perhaps is the intention of the U. S. authorities, of which you are no doubt aware, to modernize the equipment and armaments of their forces in Korea in the near future. Both of these developments, and especially the latter, will have a bearing on the future of the problem in Korea, and we consider it essential that we have at our disposal as much information from Canadian sources as possible. While it would be impossible to predict the consequences of either move, we are convinced that both will have long-range effects which will bear careful watching.

I hope you will agree that, on the basis of the foregoing considerations, it is important that the present position should be maintained. I am therefore recommending for your approval, and in reply to the enquiry in your letter of April 12, that Canadian participation in the Advisory Group be continued and that a replacement for Major Cochrane be sent to Korea in September.

Yours sincerely,

JULES LÉGER

UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS

cc: Personnel
DL (1)
Tokyo.

TRANSMITTAL SLIP

TO: The Canadian Embassy

Tokyo, Japan.

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

The documents described below are for your information.

Despatching Authority: Far Eastern Division/
R. L. Rogers/gh.

SECRET

Security.....

Date: April 24, 1957

Air or Surface: Air

No. of enclosures: 1

7-2-4-2

Copies	Description	Also referred to:
1	<p>Letter to F. R. Miller, Deputy Minister, Dept. of National Defence, Ottawa.</p> <p>SUBJECT: "Canadian Representation on the Advisory Group, United Nations Command Component, Military Armistice Commission in Korea".</p>	

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7-2-4-2

INDEXED By	FILED By
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DS22/116
FM WASHDC MAR22/57 CONF
TO EXTERNAL 675
INFO LDN
BAG CNBRA WLGTN FM LDN
BAG TOKYO FM OTT

REF OUR TEL 674 MAR22

KOREAN CLAIMS NEGOTIATIONS

FOLLOWING IS THE TEXT OF A DRAFT NOTE WHICH THE STATE DEPT PROPOSES TO SEND TO HEADS OF MISSION IN WASHDC OF THOSE GOVTS MAINTAINING TROOPS IN KOREA; BEGINS:

THE ACTING SECRETARY OF STATE PRESENTS HIS COMPLIMENTS TO THEIR EXCELLENCIES AND MESSIEURS THE CHIEFS OF MISSION OF THE GOVTS PARTICIPATING IN THE KOREAN ACTION, AND HAS THE HONOR TO INFORM THE CHIEFS OF MISSION THAT THE USA GOVT IS INSTRUCTING THE COMMANDER-IN-CHIEF OF UN FORCES IN THE FAR EAST TO RESUME DISCUSSIONS WITH THE REPUBLIC OF KOREA FOR THE SETTLEMENT OF ACCOUNTS ARISING OUT OF THE FURNISHING OF UTILITY SERVICES BY THE REPUBLIC OF KOREA TO USA AND OTHER UN FORCES IN KOREA AND FOR THE FURNISHING OF UTILITY SERVICES IN THE FUTURE TO SUCH FORCES. UTILITY SERVICES MEAN THE USE OF KOREAN TRANSPORTATION AND COMMUNICATION SYSTEMS AND OF ELECTRICITY, GAS, AND WATER.

THE INSTRUCTIONS BEING SENT THE COMMANDER-IN-CHIEF AUTHORIZE HIM TO NEGOTIATE A SETTLEMENT OF ACCOUNTS FOR UTILITY SERVICES FURNISHED IN THE PAST AND AGREEMENTS FOR SUCH SERVICES TO BE FURNISHED IN THE FUTURE ON THE FOLLOWING BASIS:

(A) FOR THE PERIOD FROM THE COMMENCEMENT OF HOSTILITIES THROUGH SEP30/55, THE APPROXIMATE DATE OF WITHDRAWAL OF THE LAST USA POWER BARGE FROM KOREA, ALL UTILITIES CLAIMS AND COUNTERCLAIMS SHALL

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MISS CURRIE	

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file m. 000845

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BE MUTUALLY WAIVED WITHOUT LIABILITY THEREFOR TO EITHER SIDE.

(B)FOR THE PERIOD FROM OCT1/55,TO THE EFFECTIVE DATE OF A UTILITIES SETTLEMENT AGREEMENT,THE UN COMMAND IS PREPARED TO EFFECT SETTLEMENT OF UTILITIES CLAIMS AND COUNTERCLAIMS UPON DETERMINATION OF A MUTUALLY ACCEPTABLE ACCOUNTING THEREFOR.

(C)UPON THE EFFECTIVE DATE OF A UTILITIES SETTLEMENT AGREEMENT, THE UN COMMAND IS PREPARED TO INAUGUARTE A PAY-AS-YOU-GO BASIS FOR UTILITIES SERVICES REQUESTED AND RECEIVED FROM THE REPUBLIC OF KOREA,INDIVIDUALS OR COMMERCIAL CONCERNS IN KOREA PURSUANT TO AGREEMENT OR CONTRACTS TO BE CONSUMMATED BETWEEN THE UN COMMAND THE REPUBLIC OF KOREA OR PRIVATE INDIVIDUALS OR COMMERCIAL CONCERNS IN KOREA.IT IS CONTEMPLATED THAT WHEN THE REPUBLIC OF KOREA HAS AGREED IN PRINCIPLE TO THE MAJOR POINTS IN THE UN COMMAND PROPOSALSESTABLISHEDMENT OF A PAY-AS-YOU-GO BASIS FOR UTILITY SERVICES NEED NOT NECESSARILY BE DEFERRED FURTHER PENDING CONSUMMATION OF THE UTILITIES SETTLEMENT AGREEMENT AND A FINAL ACCOUNTING OF PAST CLAIMS AND COUNTERCLAIMS.THIS,HOWEVER,WILL HAVE TO BE DETERMINED DURING THE COURSE OF NEGOTIATIONS.

(D)THE OBLIGATION TO REIMBURSE THE REPUBLIC OF KOREA OR PRIVATE INDIVIDUALS OR COMMERCIAL FIRMS IN KOREA FOR UTILITY SERVICES FURNISHED UN FORCES IN KOREA WILL BE THE RESPONSIBILITY OF THE RESPECTIVE UN GOVTS,WHO WILL SETTLE ON TERMS AND IN CURRENCIES TO BE AGREED UPON.

WITH RESPECT TO REAL ESTATE CLAIMS THE COMMANDER-IN-CHIEF IS BEING INSTRUCTED TO INFORM THE REPUBLIC OF KOREA THAT THE UN FORCES GOVTS ARE NOT PREPARED TO RECOGNIZE ANY CLAIMS BASED ON THE UTILIZATION OF REAL ESTATE,INCLUDING FACILITIES THEREON,NECESSARY TO MEET REQUIREMENTS OF THEIR FORCES,WHICH ARE IN KOREA PURSUANT TO THE INVITATION OF JUN26/50,OF THE KOREAN NATIONAL ASSEMBLY

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PAGE THREE 675

AND OF PRESIDENT RHEE AND TO THE RESOLUTIONS OF JUN27 AND JUL7/50 OF THE UN SECURITY COUNCIL. IF IN THE FUTURE THE GOVT OF THE USA SHOULD DESIRE TO RECONSIDER ITS POSITION WITH RESPECT TO REAL ESTATE CLAIMS, IT WILL CONSULT WITH THE OTHER UN GOVTS PARTICIPATING IN THE KOREAN ACTION PRIOR TO TAKING ANY ACTION WITH RESPECT TO SUCH CLAIMS.

THE USA GOVT WILL BE GLAD TO PROVIDE GENERAL INFO ON THE NATURE AND PROGRESS OF THE NEGOTIATIONS TO UN GOVTS DESIRING SUCH INFO. IT IS REQUESTED THAT THERE BE NO DISCLOSURE TO THE PUBLIC, AT LEAST AT THIS TIME, OF THE POSITION WHICH THE COMMANDER-IN-CHIEF OF UN FORCES WILL TAKE IN THE DISCUSSIONS.



By [Signature]

7-2-4-2

<i>210-1-173</i>	
INDEXED By	FILED By

DS34/115

FM WASHDC MAR22/57 CONF
TO EXTERNAL 674.
INFO LDN
BAG CNBRA WLGTN FM LDN
BAG TOKYO FM OTT

REF OUR TEL 519 MAR4

KOREAN CLAIMS NEGOTIATIONS

NES(KOREAN DESK OFFICER)CALLED A MEETING THIS MORNING OF REPS OF THE SEVEN GOVTS CONCERNED WITH THIS MATTER.HE MADE AVAILABLE COPIES OF A DRAFT NOTE WHICH THE STATE DEPT PROPOSES TO SEND TO THE HEADS OF MISSION IN WASHDC OF THE GOVTS CONCERNED.THE TEXT OF THIS DRAFT NOTE IS GOING FORWARD TO YOU IN TEL675.

2.YOU WILL NOTE THAT THE OUTLINE OF THE INSTRUCTIONS TO BE SENT TO CINCUNC AS GIVEN IN THE NOTE FOLLOWS CLOSELY THE TEXT CONTAINED IN OUR TEL387 FEB19.THE LAST TWO SENTENCES OF PARA 2C AND THE LAST SENTENCE OF PARA 3 WILL NOT OF COURSE FORM A PART OF THE COMMUNICATION TO THE ROK GOVT.

3.YOU WILL NOTE THAT IT IS INTENDED THE CINCUNC ENDEAVOUR TO REACH AGREEMENT IN PRINCIPLE WITH THE KOREANS ON A SETTLEMENT OF UTILITIES CLAIMS AND COUNTER CLAIMS FOR THE PERIOD BEGINNING OCT1/55.

4.YOU WILL ALSO NOTE THAT A CLAUSE HAS BEEN ADDED AT THE END OF PARA 2D WHICH IS INTENDED TO ENABLE US TO CONTINUE TO SETTLE ACCOUNTS WITH RESPECT TO OUR FORCES IN KOREA IN THE SAME MANNER AS HITHERTO.

5.THE LAST SENTENCE IN PARA 3 OF THE DRAFT NOTE HAS BEEN INCLUDED AT THE REQUEST OF THE AUSTRALIANS WHO WISH TO HAVE WRITTEN ASSURANCE THAT THE USA WOULD CONSULT OTHER GOVTS CONCERNED BEFORE CHANGING THEIR POSITION ON REAL ESTATE CLAIMS.NES WAS QUITE

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2 GORHAM	
SWITH <i>2</i>	
3 CHOQUETTE	
MISS CURRIE	

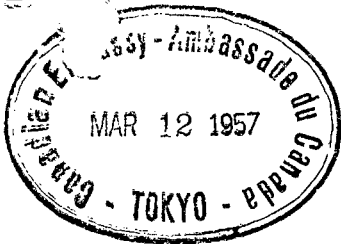
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PAGE TWO 674

SURE THAT THERE WOULD BE NO CHANGE WITH RESPECT TO PAST CLAIMS,
BUT THAT IT MIGHT DEVELOP THAT CINCUNC WOULD WISH TO ARRANGE FOR
THE USE OF PRIVATELY OWNED QUARTERS ON A PAYING BASIS.

G.NES INDICATED THAT WHEN THE PROPOSALS OF FEB18 WERE ACCEPTED BY
THE TURKISH AND THAI GOVTS, THE STATE DEPT WOULD THEN SEND THEIR
NOTE TO THE HEADS OF MISSION IN WASHDC AND WOULD INSTRUCT CINCUNC
TO PROCEED WITH THE NEGOTIATIONS WITH THE ROK GOVT ON THE AGREED
BASIS.



7-2-4-2

510-7-73	
INDEXED By	FILED By

DS20/87
FM WASHDC MAR4/57 CONFD
TO EXTERNAL 510
INFO LDN CANDEL NY
BAG CANBERRA WELLINGTON FM LDN
BAG TOKYO FM OTT

REF YOUR TEL L42 FEB27 AND TOKYO 20 FEB27

KOREAN CLAIMS NEGOTIATIONS

WE CALLED ON NES(OFFICER IN CHARGE OF KOREAN AFFAIRS) TODAY TO INFORM HIM THAT THE USA DRAFT COMMUNICATION TO THE ROK GOVT WITH AMENDMENTS WOULD BE ACCEPTABLE TO THE CANADIAN GOVT.

2. WITH REF TO YOUR PARA2 NES SAID THAT THE TURKISH GOVT HAD ALSO RAISED A QUESTION RELATING TO THE METHOD OF PAYMENT SINCE THE LOGISTIC SUPPORT TURKISH UNITS RECEIVED FROM THE USA IS CHARGED AGAINST USA MILITARY ASSISTANCE TO TURKEY. NES THOUGHT THAT SINCE THE METHOD OF PAYMENT MIGHT DIFFER IN THE CASE OF EACH GOVT CONCERNED, PARA3 OF THE DRAFT COMMUNICATION MIGHT SIMPLY BE OMITTED. HE SAID THAT THIS POINT WOULD BE DISCUSSED WITH THE PENTAGON WITH A VIEW TO EITHER DELETING THE PARA OR DEVISING PHRASEOLOGY FLEXIBLE ENOUGH TO MEET THE CASE OF EACH GOVT CONCERNED. WE SAID THAT EITHER SOLUTION WOULD PROBABLY BE ACCEPTABLE SO LONG AS THE CANADIAN GOVT COULD CONTINUE TO MEET ITS CHARGES THROUGH THE UK IN THE SAME METHOD AS IT HAS HITHERTO.

3. WITH RESPECT TO THE QUERY RAISED IN YOUR PARA2 NES PROVIDED SOME FURTHER EXPLANATION. IT IS THE USA'S DESIRE TO GIVE UNC LATITUDE TO DETERMINE WHEN PAYMENTS ON A PAY-AS-YOU-GO BASIS SHOULD BE COMMENCED. IT IS STILL THE USA'S INTENTION TO SEND THE NOTE WITH PARA 2(B) INCLUDED. IF THE KOREAN RESPONSE IS SATISFACTORY, THE UNC NEGOTIATING TEAM WOULD BEGIN DISCUSSIONS WITH THE KOREANS ON THE PRINCIPLES ...2

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2 AMER	
NEWTON m	
1 HALSTEAD	
3 SMITH	
4 LALANDE	
MISS CURRIE	

File, m

PAGE TWO 510

TO APPLY WITH RESPECT TO CLAIMS AND COUNTER-CLAIMS FOR THE PERIOD FROM OCT1/55 ON. WHEN AGREEMENT IN PRINCIPLE IS REACHED ON SUCH MATTERS AS RATES OF CHARGES, OFF-SETS TO BE ACCEPTED, ETC.; WHEN IT IS CLEAR THAT THE KOREANS ARE NEGOTIATING IN GOOD FAITH, AND WHEN THE REMAINING POINTS TO BE SETTLED ARE MAINLY OF A BOOKKEEPING NATURE, UNC WILL DETERMINE AN EFFECTIVE DATE FROM WHICH PAYMENT FOR CURRENT CONSUMPTION WILL BEGIN IMMEDIATELY. THE FINAL UTILITIES SETTLEMENT AGREEMENT WILL BE SIGNED AT A LATER DATE WHEN ALL BOOKKEEPING PROBLEMS HAVE BEEN SETTLED. DURING THE NEGOTIATION OF POINTS OF PRINCIPLE FOR THE PERIOD FROM OCT 1/55 TO THE EFFECTIVE DATE AND DURING THE DETAILED ACCOUNTING OF CLAIMS AND COUNTER-CLAIMS, WE UNDERSTAND THAT GOVTS CONCERNED WILL BE ABLE TO EXPRESS THEIR VIEWS IN THE UNC NEGOTIATING TEAM WHICH WILL PRESUMABLY INCLUDE A COMMONWEALTH CONTINGENT REP.

4. THE TURKISH GOVT HAS ACCEPTED THE USA DRAFT COMMUNICATION. BOTH THE AUSTRALIAN AND NZ EMBASSIES RECEIVED QUALIFIED INSTRUCTIONS WHICH ARE CONTINGENT UPON THE POSITION TAKEN BY THE UK. THE BRITISH EMBASSY HAS RECEIVED NO INSTRUCTIONS AS YET

HEENEY

DUPLICATE

DEPARTMENT OF EXTERNAL AFFAIRS
OUTGOING MESSAGE

CANADIAN AMBASSADOR, TOKYO, JAPAN

210-7-13
7-2-4-2
CONFIDENTIAL

20

27 FEB 57

XXXX

YOUR DL39 FEB21

IMPORTANT

KOREAN CLAIMS NEGOTIATIONS



J.G.H. Halstead
/jt

WE TOO SEE NO REPEAT NO STRONG OBJECTIONS
TO LATEST USA PROPOSAL AS OUTLINED IN WASHINGTON
TELEGRAMS 386 AND 387. WE WOULD FAVOUR INCLUSION
OF PARA 2 (b) OF THE DRAFT LETTER IN THE INITIAL
APPROACH TO KOREAN GOVERNMENT. RATHER THAN AGREEING
IN ADVANCE THAT THIS PARA MIGHT BE SET ASIDE HOWEVER
WOULD IT NOT BE MORE EFFECTIVE TO RECAST PARA 2 FROM
THE BEGINNING IN SUCH A WAY THAT COMMENCEMENT OF THE
PAY-AS-YOU-GO BASIS OFFERED IN SUBPARA (c) IS MADE
CONTINGENT UPON AGREEMENT IN PRINCIPLE ON PROPOSALS
MADE IN (a) AND (b)?

2. IT WOULD THEN BE CLEAR TO KOREANS BEYOND
MISUNDERSTANDING THAT PAYMENT FOR UTILITIES SERVICES
COULD BE HAD FROM MOMENT THEY ACCEPTED OTHER TWO
PROPOSALS IN PRINCIPLE AND NEED NOT AWAIT DETAILED
SETTLEMENT FOR PERIOD FROM OCT1 1955. THAT SETTLEMENT
COULD THEN BE NEGOTIATED AT LEISURE ON BASIS OF
POINTS OUTLINED IN PARA 2 OF OUR LETTER 124, INCLUDING
WAIVER OF ALL KOREAN REAL ESTATE CLAIMS.

DAVIS

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PHER
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

DATE RE
26 FEB 57
COMMUNICATIONS

PLACE FROM

DATE & TIME

OTTAWA

250341P

210-7-13

CONFIDENTIAL



FROM EXTERNAL OTTAWA CONFIDENTIAL FEB 21/57

TO EMBASSY TOKYO L-39

INFO WASHINGTON DC, LONDON, BAG CANBERRA, WELLINGTON FROM LONDON

REFERENCE: YOUR LETTER NO. 124 OF FEB 15/57

SUBJECT: KOREAN CLAIMS NEGOTIATIONS.

LATEST DEVELOPMENTS ARE CONTAINED IN WASHINGTON DC TELEGRAMS
NOS. 386 - 387 OF FEB 19/57 WHICH HAVE BEEN REFERRED TO YOU BY BAG.

2. STATE DEPARTMENT ARE NOW THINKING THAT IF DURING THE
NEGOTIATIONS IT BECOMES CLEAR THAT IT WILL TAKE A LONG TIME TO REACH
SETTLEMENT ON UTILITY CLAIMS FOR PERIOD FROM OCTOBER 1/55 TO PRESENT IT
MIGHT BE SUGGESTED TO THE KOREANS THAT SETTLEMENT FOR THIS PERIOD SHOULD BE
SET ASIDE FOR FUTURE DISCUSSION AND AGREEMENT REACHED ON

(A) SETTLEMENT FOR THE PERIOD PRIOR TO OCTOBER 1/55 (ON THE BASIS OF A
MUTUAL WAIVER OF UTILITIES CLAIMS); AND

(B) INAUGURATION OF A PAY-AS-YOU-GO BASIS FOR CURRENT UTILITIES SERVICES.
UNC WOULD ALSO REITERATE UNWILLINGNESS OF GOVERNMENTS CONCERNED TO
RECOGNIZE REAL ESTATE CLAIMS.

3. WE SEE NO STRONG OBJECTIONS TO THIS PROPOSAL TO DEFER SETTLEMENT
OF UTILITIES CLAIMS FOR PERIOD FROM OCTOBER 1/55 TO COMMENCEMENT OF PAY-AS-
YOU-GO BASIS BUT WOULD BE GRATEFUL TO HAVE YOUR COMMENTS BY TELEGRAM.

NO.	INIT.
2 AMBASSADOR	
NEWTON	en
HALSTED	
GOUGH	
SAITH	
4 SALANKE	
MISS CURRIE	

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COPY 1



Bag Tokyo

DS23/81
FM EXTERNAL OTT FEB26/57 CONFD
TO WASHDC L42
INFO LDN CANDEL NY
BAG CNBRA WELLINGTON FM LDN
BAG TOKYO FM OTT

7-24-2
210-7-13

INDEXED By	FILED By
<i>-</i>	

REF YOUR TELS 386-387 FEB59

KOREAN CLAIMS NEGOTIATIONS

THE DRAFT COMMUNICATION TO THE ROK GOVT WITH THE AMENDMENTS INDICATED IN YOUR TEL386 IS ACCEPTABLE TO US AND WE HAVE NO STRONG VIEWS ON THE INCLUSION OR OTHERWISE OF PARA2(B). HOWEVER IF PARA2(B) IS TO BE OMITTED FROM THE DRAFT IT MIGHT BE ADVISABLE TO CLARIFY FOR THE BENEFIT OF THE KOREANS WHAT IS MEANT BY THE WORDS "UTILITIES SETTLEMENT AGREEMENT" IN PARA2(C). WE ARE INCLINED TO THINK THAT UNC SHOULD GO ON A PAY-AS-YOU-GO BASIS AS SOON AS POSSIBLE WHETHER OR NOT AGREEMENT IN DETAIL IS REACHED ON THE CLAIMS SETTLEMENT.

2. THERE IS ONE POINT WE WOULD LIKE TO MAKE IN CONNECTION WITH PARA3 OF THE DRAFT. AS YOU KNOW THE CANADIAN CONTINGENT IS RECEIVING A GREAT DEAL OF ITS SUPPORT FROM THE UK IN KOREA WITH SETTLEMENT BEING EFFECTED ON A CAPITATION RATE BASIS. TO DATE NO CHARGE HAS BEEN MADE FOR UTILITIES. WHEN ARRANGEMENTS ARE MADE FOR CURRENT CONSUMPTION TO BE PAID FOR WE EXPECT THE UK TO ARRANGE AND PAY FOR OUR SUPPLIES AND INCLUDE THAT COST IN THE CAPITATION RATE. IN THESE CIRCUMSTANCES IT WOULD BE ADVISABLE FOR SOME QUALIFYING CLAUSE TO BE INSERTED IN PARA3 OF THE DRAFT WHICH WOULD PERMIT CANADA'S RESPONSIBILITY TO REIMBURSE THE KOREAN GOVT TO BE DISCHARGED BY THE UK.

3. WE HAVE ASKED TOKYO FOR THEIR VIEWS ON THE DRAFT AND WILL LET YOU KNOW IF THEY HAVE ANY ADDITIONAL COMMENTS TO SUGGEST.

NO.	INIT.
AMBASSADOR	
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L. HASTED	
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SMITH	
LALAN	<i>ee</i>
MISS CURRIE	

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J.G.H. Halstead/jt

~~210-773~~

CONFIDENTIAL

7-2-4-2

Tokyo, February 26, 1957.

According to the latest information reaching us from Washington, there was a meeting on February 18 of representatives of the seven governments with forces in Korea (United Kingdom, Australia, New Zealand, Canada, Thailand, Turkey and United States) to discuss the Korean claims negotiations.

Pressure to settle the utilities problem and get on a pay-as-you-go basis has been increased by the recent action of the Seoul electric company in switching off the power supply of the American First Corps. The State Department therefore submitted to the meeting a draft letter to the Korean Minister of Reconstruction, the text of which is attached.

It was agreed at the suggestion of the New Zealand representative that a phrase along the following lines might be added to the last sentence: ". . . and pursuant to the invitation of President Rhee and the Republic of Korea National Assembly". It was also agreed, as a result of British, Australian and New Zealand suggestions, that a phrase would be added to paragraph 3 to indicate that settlement would be made in currency to be

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D. O. Henley, Esquire,
British Embassy,
Tokyo.

- 2 -

agreed upon. The State Department representative added that the governments concerned might wish to set aside paragraph 2 (b) and have the U. N. Command negotiate initially on the basis of the position set out in the rest of the draft letter.

The other representatives undertook to submit the draft letter to their governments for approval.

J. G. H. HALSTEAD

J. G. H. Halstead
First Secretary.

C O P Y

*this is
a draft
not yet finalized*

Dear Minister Kim:

Reference is made to your letter August 7, 1956, to General Harmony, in which you outlined a counterproposal for the settlement of Republic of Korea utilities claims against the UN Command.

2. Your proposal was conveyed to my government. After consultation with the other UN governments concerned, further instructions have been forwarded by my government for the settlement of utilities claims as follows:

(a) for the period from the commencement of hostilities through September 30, 1955, the approximate date of the withdrawal of the last USA power barge from Korea, it is proposed that all utility claims and counterclaims be mutually waived without liability therefor to either side.

(b) for the period from October 1, 1955, to the effective date of a utilities settlement agreement, the UN Command is prepared to effect settlement of utility claims and counterclaims upon the determination of a mutually acceptable accounting therefor.

(c) Upon the effective date of utilities settlement agreement, (the consummation of which need not be deferred pending actual settlement of claims discussed in (b) above,) the UN Command is prepared to inaugurate a pay-as-you-go basis for utilities services requested and received from the Republic of Korea, individuals or commercial concerns in Korea pursuant to agreements or contracts to be consummated between the concerned U.N. Command forces and Republic of Korea or private individuals and entities in Korea.

3. The obligation to reimburse the Republic of Korea for utilities services furnished the U.N. Command forces in Korea, as stated in paras. (b) and (c) above, will be the responsibility of the respective U.N. governments.

4. On the basis of the foregoing, the U.N. Command is prepared to conclude settlement of utilities claims and counterclaims.

5. With respect to real estate claims, as I informed the Honorable Yong-Woo Kim, Minister of National Defense, in my letter Nov. 25, 1956, I referred this matter to Washington. I have now been instructed to state that the U.N. Forces governments are not prepared to recognize any claims based on the utilization of real estate, including the facilities thereon, necessary to meet the requirements of their forces which are in Korea pursuant to the U.N. Security Council resolutions of June 27 and July 7, 1950.

Sincerely,

L.L. Lemnitzer
General, U.S.A. Army
Commander in Chief

The Honorable Hyun Chul Kim
Minister of Reconstruction
Republic of Korea
Seoul, Korea.

T.F.M.Newton/jt

File
JH

CONFIDENTIAL

February 26, 1957.

210-7-13

MEMORANDUM TO MR. HALSTEAD JH

Subject: Korean Claims

During a brief discussion with Dugald Malcolm after perusal of your two reports on the subject, Malcolm said that he had gone into the matter in some detail as the local Commonwealth man concerned and had come up with the following personal opinions among others:

(1) Much too much was being made of a situation which, from our side, could easily have been settled without its blowing up into a political issue with the ROK. As of last June the differential between counter-claims up to the time of the withdrawal of the U.N. power barges was only a matter of about 3 million dollars according to ROK figures, and of the sixteen nations paying this, the U.S. would have been apportioned about 40%.

(2) He felt, confidentially, that his own government was being "a bit sticky" on the "real estate" issue. He felt that we all should lie low on this issue, that no Korean minister could possibly get approval on it (since the President has to sign everything), that it should be dissociated, since even if the Koreans ever should want to bring it up in the future, the U.N. side could simply say "No."

2. He will be here in person about two weeks from now on his way to London and you will therefore be able to discuss the matter in detail with him.

JFM
T. F. M. Newton.



DS28/68

210-7-13	
INDEXED By	FILED By

FM WASHDC FEB19/57 CONF
TO EXTERNAL 387.
INFO LDN CANDEL NY
BAG CANBERRA WELLINGTON FM LDN
BAG TOKYO FM OTT

REF MY TEL 386 FEB19

KOREAN CLAIMS NEGOTIATIONS

FOLLOWING IS DRAFT LETTER ON THIS SUBJECT WHICH STATE DEPT SUBMITTED
TO YESTERDAY'S MEETING.

DEAR MINISTER KIM:

REF IS MADE TO YOUR LETTER AUG7/56 TO GENERAL HARMONY, IN WHICH YOU
OUTLINED A COUNTERPROPOSAL FOR THE SETTLEMENT OF REPUBLIC OF KOREA
UTILITIES CLAIMS AGAINST THE UN COMMAND.

2.YOUR PROPOSAL WAS CONVEYED TO MY GOVT.AFTER CONSULTATION WITH
THE OTHER UN GOVTS CONCERNED,FURTHER INSTRUCTIONS HAVE BEEN FORWARDED
BY MY GOVT FOR THE SETTLEMENT OF UTILITIES CLAIMS AS FOLLOWS:

- ✓ A.FOR THE PERIOD FROM THE COMMENCEMENT OF HOSTILITIES THROUGH SEP
30/55,THE APPROXIMATE DATE OF THE WITHDRAWAL OF THE LAST USA POWER
BARGE FROM KOREA,IT IS PROPOSED THAT ALL UTILITY CLAIMS AND COUNTER-
CLAIMS BE MUTUALLY WAIVED WITHOUT LIABILITY THEREFOR TO EITHER SIDE.
- ✓ B.FOR THE PERIOD FROM OCT1/55 TO THE EFFECTIVE DATE OF A UTILITIES
SETTLEMENT AGREEMENT,THE UN COMMAND IS PREPARED TO EFFECT SETTLEMENT
OF UTILITY CLAIMS AND COUNTERCLAIMS UPON THE DETERMINATION OF A
MUTUALLY ACCEPTABLE ACCOUNTING THEREFOR.
- ✓ C.UPON THE EFFECTIVE DATE OF UTILITIES SETTLEMENT AGREEMENT,(THE
CONSUMMATION OF WHICH NEED NOT BE DEFERRED PENDING ACTUAL SETTLEMENT
OF CLAIMS DISCUSSED IN B ABOVE,)THE UN COMMAND IS PREPARED TO INAUGU-
RATE A PAY-AS-YOU-GO BASIS FOR UTILITIES SERVICES REQUESTED AND

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2. AMBASSADOR	
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1. HALSTEAD	
3. GORDON	
SMITH	
4. ALANDE	
MISS CURRIE	

file
22)

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PAGE TWO 387

RECEIVED FROM THE REPUBLIC OF KOREA, INDIVIDUALS OR COMMERCIAL CONCERNS IN KOREA PURSUANT TO AGREEMENTS OR CONTRACTS TO BE CONSUMMATED BETWEEN THE CONCERNED UN COMMAND FORCES AND REPUBLIC OF KOREA OR PRIVATE INDIVIDUALS AND ENTITIES IN KOREA.

3. THE OBLIGATION TO REIMBURSE THE REPUBLIC OF KOREA FOR UTILITIES SERVICES FURNISHED THE UN COMMAND FORCES IN KOREA, AS STATED IN PARAS 'B' AND 'C' ABOVE, WILL BE THE RESPONSIBILITY OF THE RESPECTIVE UN GOVTS.

4. ON THE BASIS OF THE FOREGOING, THE UN COMMAND IS PREPARED TO CONCLUDE SETTLEMENT OF UTILITIES CLAIMS AND COUNTERCLAIMS.

5. WITH RESPECT TO REAL ESTATE CLAIMS, AS I INFORMED THE HONORABLE YONG-WOO KIM, MINISTER OF NATIONAL DEFENSE, IN MY LETTER NOV 25/56, I REFERRED THIS MATTER TO WASHINGTON. I HAVE NOW BEEN INSTRUCTED TO STATE THAT THE UN FORCES GOVTS ARE NOT PREPARED TO RECOGNIZE ANY CLAIMS BASED ON THE UTILIZATION OF REAL ESTATE, INCLUDING THE FACILITIES THEREON, NECESSARY TO MEET THE REQUIREMENTS OF THEIR FORCES WHICH ARE IN KOREA PURSUANT TO THE UN SECURITY COUNCIL RESOLUTIONS OF JUN 27 AND JUL 7/50.

SINCERELY,

LL LEMNITZER
GENERAL, USA ARMY
COMMANDER IN CHIEF

THE HONORABLE HYUN CHUL KIM
MINISTER OF RECONSTRUCTION
REPUBLIC OF KOREA
SEOUL, KOREA

HEENEY



DS21/68

FM WASHDC FEB19/57 CONFD
TO EXTERNAL 386.
INFO LDN CANDEL NY
BAG TOKYO FM OTT
BAG CANBERRA WELLINGTON FM LDN

210-7-13	
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REF YOUR TEL L34 FEB15

KOREAN CLAIMS NEGOTIATIONS

PARSONS, DIRECTOR OF THE OFFICE OF NORTHEAST ASIAN AFFAIRS, PRESIDED OVER A MEETING YESTERDAY OF REPS OF THE SEVEN GOVTS WITH FORCES IN KOREA-THE UK, AUSTRALIA, NZ, TURKEY, THAILAND, CANADA AND THE USA.

2. RECALLING THE NOW FAMILIAR HISTORY OF THE CLAIMS NEGOTIATIONS, PARSONS INDICATED THAT THE REQUIREMENT FOR AN EARLY SETTLEMENT WAS BECOMING PROGRESSIVELY MORE PRESSING. LAST SATURDAY THE SEOUL ELECTRIC COMPANY SWITCHED OFF THE POWER SUPPLY OF THE USA FIRST CORPS AND IT REQUIRED INTERVENTION BY GENERAL GUARD OF THE EIGHTH ARMY AND THE USA AMBASSADOR WITH PRESIDENT RHEE TO HAVE THE LIGHTS TURNED ON AGAIN. AS A CONSEQUENCE, THERE HAVE BEEN URGENT PLEAS FROM CINCUNC AND THE USA AMBASSADOR IN SEOUL TO GET THE UTILITIES PROBLEM SETTLED AND TO GET ON A PAY-AS-YOU-GO BASIS. PARSONS REFERRED AGAIN TO USA ENCOURAGEMENT OF PRIVATE ENTERPRISE IN KOREA AND SAID THAT CONTINUED NON PAYMENT OF UTILITIES BILLS WAS PENALIZING PRIVATE POWER COMPANIES.

3. IN VIEW OF THE FIRM ADVICE FROM THE FIELD THAT THE ROK GOVT WOULD NOT AGREE TO THE INCLUSION OF A REAL ESTATE CLAIMS WAIVER IN A UTILITY CLAIMS AGREEMENT, PARSONS SAID THAT THE STATE DEPT

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ALSTED	
3 GORR	
SMITH	
4 LALANCE	009
MISS CURRIE	

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m.

PAGE TWO 386

HAD DRAFTED A COMMUNICATION TO THE KOREAN MINISTER OF RECONSTRUCTION FOR CONSIDERATION BY THE GOVTS CONCERNED. THE TEXT OF THIS DRAFT LETTER AS PRESENTED TO THE MEETING IS GIVEN IN OUR TEL 387.

4. PARSONS EXPLAINED THAT IT WAS THE STATE DEPT'S INTENTION TO OMIT THE CLAUSE IN PARENTHESES IN PARA 2(C) OF THE DRAFT LETTER WHEN IT IS PASSED TO THE KOREANS. IF DURING THE NEGOTIATIONS IT BECOMES CLEAR THAT REACHING AGREEMENT ON PARA 2(B) IS GOING TO BE OF LONG DURATION, THE STATE DEPT WISHES TO HAVE ADVANCE AGREEMENT THAT UNC NEGOTIATORS WILL HAVE DISCRETION TO MOVE TO A FALL-BACK POSITION UNDER WHICH PARA 2(B) WOULD BE SET ASIDE FOR LATER DISCUSSION AND AGREEMENT REACHED ON THE BASIS OF THE REMAINDER OF THE LETTER.

5. THE AUSTRALIAN REP RAISED THE QUESTION AS TO WHETHER THE KOREANS WOULD ACCEPT A UNC LETTER WITH THE LAST PARA AS GIVEN IN THE DRAFT AND ENVISAGED THE POSSIBILITY THAT THE ROK GOVT MIGHT RESERVE ITS POSITION ON THE QUESTION OF REAL ESTATE CLAIMS. PARSONS SAID THAT IF THE KOREANS WERE AS ANXIOUS FOR UNC TO GET ON A PAY AS YOU GO BASIS FOR UTILITIES AS THE STATE DEPT HAS BEEN LED TO BELIEVE, THE KOREANS WOULD PROBABLY ACCEPT THE LAST PARA WITHOUT COMMENT.

6. PARSONS ADDED THAT HE WOULD NOT, HOWEVER, BE SURPRISED TO SEE THE KOREANS RAISE THE MATTER OF REAL ESTATE CLAIMS AGAIN BUT, WHETHER THEY ACCEPTED THE UNC STATEMENT AS GIVEN IN THE DRAFT OR NOT, IT WOULD BECOME PART OF THE RECORD AND WOULD LEAVE THE UNC IN A BETTER POSITION THAN IF THE QUESTION OF REAL ESTATE CLAIMS WAS MERELY PUT ASIDE.

7. THE NZ REP SUGGESTED THAT SOME SUPPORTING ARGUMENT MIGHT BE

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DS25/68

PAGE THREE 386

A' D TO JUSTIFY THE UNC REFUSAL TO ENTERTAIN REAL ESTATE CLAIMS.

AFTER SOME DISCUSSION IT WAS AGREED THAT A PHRASE ALONG THE FOLLOW-
ING LINES MIGHT BE ADDED TO THE LAST SENTENCE OF THE LETTER: "...AND
PURSUANT TO THE INVITATION OF PRESIDENT RHEE AND THE REPUBLIC OF
KOREA NATIONAL ASSEMBLY OF (DATE)."

8. THE UK REP ENQUIRED WHETHER THE SETTLEMENT CONTEMPLATED IN PARA
2(B) OF THE LETTER WOULD BE AVAILABLE FOR FURTHER EXAMINATION BY THE
GOVTS CONCERNED BEFORE OVERALL AGREEMENT WAS FINALLY NEGOTIATED.

IT WAS EXPLAINED THAT PARA 2(B) INTENDED TO PROVIDE FOR A SETTLEMENT IN
PRINCIPLE AND THAT IN THE PROCESS OF WORKING OUT A MUTUALLY
ACCEPTABLE ACCOUNTING FOR THE UTILITY CLAIMS AND COUNTER-CLAIMS,
DETAILED QUESTIONS SUCH AS RATES COULD BE SETTLED BY THE UNC NEGOTIA-
TING TEAM ON WHICH GOVTS CONCERNED WOULD BE REPRESENTED. THIS EXPLANA-
TION APPEARED TO COVER THE POINTS RAISED IN YOUR TEL L19 JAN17.

9. IN THE LIGHT OF UK, AUSTRALIAN AND NZ SUGGESTIONS, IT WAS AGREED THAT
A PHRASE WOULD BE ADDED TO PARA 3 OF THE LETTER TO INDICATE THAT
SETTLEMENT OF THE CLAIMS REFERRED TO WOULD BE MADE IN CURRENCIES TO
BE AGREED UPON.

10. THE THAI REP, UNDER INSTRUCTIONS, PUT FORWARD THE SUGGESTION THAT
THE ROK UTILITIES CLAIMS SHOULD BE MET BY THE UN. THIS SUGGESTION WAS
NOT SERIOUSLY DISCUSSED.

11. WE INDICATED THAT, WHILE WE WOULD SEEK INSTRUCTIONS, THE USA PROPO-
SAL WOULD PROBABLY BE ACCEPTABLE TO THE CANADIAN GOVT.

12. AT THE CLOSE OF THE MEETING, PARSONS SAID THAT THE GOVTS CONCERNED
MIGHT WISH TO SET ASIDE PARA 2(B) OF THE DRAFT LETTER IN THE INITIAL
INSTANCE AND HAVE THE UNC NEGOTIATE A SETTLEMENT ON THE BASIS OF THE
FALL-BACK POSITION COMPRISED IN THE REMAINDER OF THE LETTER. HE STRES-
SED AGAIN THE URGENT DESIRE FOR THE USA TO GET ON A PAY-AS-YOU-GO
BASIS AND APPEALED FOR THE CONCURRENCE OF INTERESTED GOVTS IN THE
PROPOSALS MADE AS SOON AS POSSIBLE.

13. ACCORDINGLY, WE WOULD APPRECIATE BEING INFORMED WHETHER THE USA
DRAFT COMMUNICATION TO THE ROK GOVT IS AGREEABLE TO YOU SUBJECT TO
THE AMENDMENTS OUTLINED ABOVE AND WHETHER YOU WOULD PREFER PARA 2(B)
TO BE INCLUDED IN THE INITIAL APPROACH TO THE KOREAN GOVT

HEENEY

CIPHER
MESSAGE

ARMY MESSAGE

(INCOMING)

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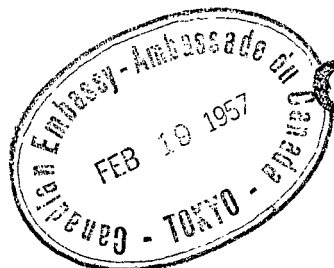
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19 FEB 57
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OTTAWA

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CONFIDENTIAL

210-7-13

FROM EXTERNAL OTTAWA CONFIDENTIAL FEB15/57
TO EMBASSY WASHINGTON L-34 IMPORTANT
INFO LONDON, CANDEL, TOKYO
BAG CANBERRA, WELLINGTON FROM LONDON



REFERENCE YOUR TELEGRAM NO. 188 OF JANUARY 25/57.

SUBJECT KOREAN CLAIMS NEGOTIATIONS.

WOOD-MAYBEE TEL CONVERSATION OF FEBRUARY 15. THIS WILL CONFIRM
THAT WE HAVE NO OBJECTION TO THE STATE DEPT'S PROPOSAL TO ~~DIFFER~~ ^{DEFER} UTILITY
CLAIM NEGOTIATIONS WITH THE KOREANS FOR THE TIME BEING.

Note for file:
Greenhill (Br. Emb.)
informed orally.

JH 19.2.57

NO.	INIT.
1	AMBRISTADOR
2	NEWTON
	HALSTEAD
	GORHAM
	SMITH
3	LALANDE
	MISS CURRIE

file JH

COPY 1

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: Korcan Claims Negotiations

CONFIDENTIAL

Security:.....

No: 124

Date: February 15, 1957

Enclosures:.....

Air
Air or Surface Mail:.....

Post File No:.....

Ottawa File No.

210-7-13

References

We are grateful for the way you and our Embassy in Washington have kept us up-to-date with the thinking in the State Department on the subject of Korean claims. It has enabled us to keep our Commonwealth colleagues in Tokyo better informed than they have been by their own governments.

2. The other day we had an informal Commonwealth meeting with Mr. R. K. Reay, Deputy Command Secretary of the Far East Command in HongKong, who has been appointed Commonwealth representative on the U.N. negotiating team in succession to Brigadier Alderson (who has returned to Australia). Mr. Reay came to Tokyo on a brief visit to review the files on this complicated subject and to ensure that his understanding of the present situation was the same as ours. It was agreed in this discussion that the main points of principle which the Commonwealth governments concerned wished to see embodied, expressly or by inference, in any agreement with the Korean Government are:

(a) that the settlement should be confined to utilities services (transportation and communications, electricity, gas, water, steam, heat, light and power) provided to the U. N. forces after a given date to be agreed;

(b) that no further payment should be made for utilities services provided prior to the agreed date (on the grounds that U.N. contributions are in excess of ROK services);

(c) that utilities services requested from the ROK after the agreed date will be settled as they are received; and that the terms and currency of such settlement of post-agreement claims should be negotiated direct and not through the U.N. Command;

(d) that no payments should be made for the use of real estate at any time in the past or future;

(e) that ROK balances should not include any direct or indirect tax element and that the prevailing military conversion rate should be applied where necessary;

(f) that the rate for utilities consumed should be no less favourable than that charged any other consumer; and

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Circulation

Distribution
to Posts

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(g) that settlement should take into account the value of Commonwealth equipment, materials, supplies and services furnished to the ROK from the agreed date.

3. It was further agreed that there was no action which could usefully be taken on the Commonwealth side at this time in Japan or in Korea. It was felt, however, that, in light of the information contained in telegram No. 188 of January 25 from our Embassy in Washington, some Commonwealth governments might be giving the State Department an impression of stronger insistence on inclusion of an explicit waiver of real estate claims than was justified. We understand that the British Embassy intends to point this out to London, suggesting that it would be a pity if the United States were pushed into unilateral action by such insistence.

4. In the meantime you may be interested to know that the Korean press has this month been giving increased attention to this problem in an effort to convince the Americans, on the one hand, of the plight of the Korean utilities companies, and the Korean people, on the other, of the efforts the Korean Government is making to obtain a settlement. The press has also made the telling point that the alleged power crisis in Korea "amounts to an extra burden on Korean industry as a whole; and surely the United States, which has poured billions of dollars into this country to build a viable economy, would not want this to happen".

T. C. DAVIS

The Embassy.

J.G.H. Halstead/jt

CONFIDENTIAL

210-7-13

Tokyo, February 14, 1957

I mentioned at our meeting the other day that we had received information from our Embassy in Washington concerning the latest thinking in the State Department (as of the end of January) on the subject of Korean claims.

In response to Commonwealth views, the State Department apparently consulted U.N. Command once more on the possibility of including a waiver of real estate claims in the agreement. The U.N. Command is still of the firm opinion that any attempt to do so would prejudice a settlement of utilities claims and would formally re-open the question of real estate claims.

In view of this opinion, and of the insistence (as the State Department apparently regards it) of some Commonwealth Governments on the inclusion of such a waiver, the State Department is now considering giving up the attempt to reach an over-all settlement at this time and making arrangements instead to pay for current consumption of electric power. U. N. Command is anxious to obtain authority for this because additional services are urgently required in Korea and new contracts for them cannot be concluded as long as U.N. Command is unable to pay for current consumption.

. . . 2

D. O. Henley, Esquire,
British Embassy,
Tokyo.

- 2 -

The State Department believes that such a course would not seriously damage our bargaining position on the settlement of past claims since there is already a ROK claim of some \$10 million outstanding for the period from October 1955 to the present. The State Department has not yet (as of the date of this report) made a firm decision but the pressure to do so soon is reportedly rather strong.

I am sending copies of this letter to Rex Cunningham and Dick Austin.

J. G. H. HALSTEAD

J. G. H. Halstead.

C O P Y

File JH

RECAPITULATION

1. The problem is divided into two main sections:-

- (a) the settlement of principles with the Korean Govt.
- (b) the drafting of a satisfactory agreement to express these principles.
- (a) This is the question at present under discussion in Washington and there is no action which can usefully be done in Tokyo, Seoul or Hong Kong except at the request of the Governments.

The original U.N. stand was in accordance with the instructions to the C-in-C U.N.C. at 70A. The Commonwealth reps. special instructions are at 79A and these principles were communicated to the Koreans at 83A.

The Korean counter-proposals are at 143D.

The draft revised instructions to the H.Q. U.N.C. are at encl. 7A to DCS/104/16.

- (b) The final draft of a satisfactory agreement must obviously await acceptance of principles by both sides. A preliminary draft is at 91A and considerable discussion has taken place regarding this. Comments of the Commonwealth Countries have been made and the H.Q. U.N.C. are committed to a redraft of certain portions.

2. The main points of principle, expressed and inferred, on the 'British' side are:-

- (a) The negotiations shall be confined to settlement of the R.O.K. claim for utilities services (transportation and communication systems, electricity, gas, water, steam, heat, light and power, however produced) provided to U.N. Forces in Korea both before and after hostilities after the effective date of an agreement.

- (b) no ~~further~~ payment should be made for the use of ~~facilities~~ (real estate, ~~property, etc.~~) during or after hostilities, or in the future.

Note: As regards this point, a ~~subsidiary~~ point of principle now under discussion in Washington is that the waiver in respect of real estate should be specific and included in the agreement rather than by inference or by a unilateral declaration.

- (c) that no further payment shall be made for utilities services provided prior to the effective date of the agreement (on the grounds that U.N. contributions are in excess of R.O.K. services to U.N.)

Note: This principle is, at present, under discussion. The American view is that payment should be from 1.10.55; the British have proposed some date in advance of but dependent upon the date of the agreement.

- (d) That from the effective date of the agreement, the Commonwealth Countries are prepared to settle for utilities services requested and actually received from R.O.K. The Commonwealth rep. will make initial arrangements with the R.O.K. regarding procedures for settlement of charges for utilities services to Commonwealth Countries in future.

- (e) ~~If any pre~~ As regards post-agreement claims ~~are to be met~~ that the terms and currency of such settlement be negotiated direct and not through U.N.C.

In this connection, that any payment should be in Hwan (or possibly in sterling) not dollars.

/(f)

- (f) Specifically for the purpose of comparison of claims (but by inference also for the purpose of settlement of post-agreement claims and pre-agreement claims, if it is agreed that any should be met):-
- (i) R.O.K. bills should not include any ascertainable direct or indirect tax element.
 - (ii) where an exchange rate is necessary to conversion of bills stated in Hwan, the Military conversion rate applicable during the period shall apply.
- (g) Specifically for payment of post-agreement liabilities (but by inference also for the purpose of settlement of pre-agreement claims if it is agreed that any should be met):-
- (i) The rate for utilities consumed should be no less favourable than utilities rates charged any other consumer.
 - (ii) ~~Assuming that (e) above is eventually agreed~~ that settlement should take into account the value of Commonwealth equipment, materials, supplies and services furnished from the effective date to the R.O.K.
- (h) The final draft of any proposed arrangement for furnishing 'post-agreement date' utilities services, should be submitted to Commonwealth Countries for approval.

29th. January, 1957

ABBREVIATIONS

D.D.	- Department of Defence (Australia) Melbourne.
D.T.	- Department of Treasury (Australia) Melbourne.
F.A.	- F.A., B.C.F.K.
S.D.	- State Department (U.S.) Washington.
D.A.	- Department of the Army (U.S.) Washington.
U.N.	- United Nations.
U.C.	- Unified Command (defined at 91A Art I).
U.N.C.	- United Nations Command.
H.Q. U.N.C.	- -do-
H.Q. U.S.A.F. F.E.	- Headquarters, United States <u>Army</u> Forces, Far East.
8th A.	- 8th Army (U.S.)
H.Q. 8th A.	- -d6- Headquarters.
H.Q. 8th A.R.	- -do- -do- Rear.
M of F	- Minister of Finance, R.O.K. (At first Minister Kim)
M of Rec.	- Minister of Reconstruction, R.O.K. (Minister Kim, formerly Minister of Finance).
Com. Dips. Tokyo.	- The representatives of the British Embassy, Australian Embassy, New Zealand Legation and Canadian Embassy in Tokyo.
R.O.K.	- Republic of Korea.
Com. Brit. S.A.N.	- Commander, Britcom Sub Area, North.
Brit. Leg. Korea	- The British Legation to Korea.
Aust. Dip. Rep. Korea.	- The Australian Diplomatic Representatives in Korea.
F.O.	- Foreign Office.
Brit. Emb. Tokyo	- The British Embassy, Tokyo.
K.N.R.	- Korean National Railways.
B.C.S.A.T.	- British Commonwealth Sub Area, Tokyo.
Neg. Team	- Negotiating Team.
Sen. Neg.	- Senior Negotiator, Negotiating Team (initially Major General Harmony).

TRANSMITTAL SLIP

TO: THE CANADIAN EMBASSY,

TOKYO, JAPAN

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

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

Date.....**January 28, 1957**....

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

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

210-7-13	
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The documents described below are for your information.

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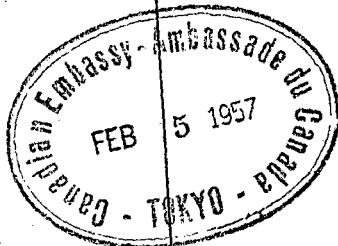
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Description

1

Copy of a letter received from the Dept.
National Defence - dated January 24/57
Subject: Korean Claims Negotiations.

Washington
London
Canberra
Wellington
Tokyo ✓



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HALSTEAD	
GORDON	
SMITH	
STANLEY	
MISS CURRIE	

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(Instruction on Reverse Side)

INSTRUCTIONS

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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

OFFICE OF THE DEPUTY MINISTER
NATIONAL DEFENCE

CONFIDENTIAL

January 24, 1957

Under-Secretary of State
for External Affairs,
East Block
Ottawa.

Attention: Mr. G. Sicotte

Re: Korean Claims Negotiations

Telegram of December 21, 1956 from the Commonwealth Relations Office and the Department of Finance in their letter to you of January 11, 1957, refer to the matter of utility services provided for the forces in Korea and to the subject of the Korean Claims negotiations.

In connection with data on the utility services provided to Canadian forces by the Koreans, the Army advise that they do not have any such record, as, up until the time the Commonwealth Contingent Korea (CCK) came into being, all such service was provided by the R.O.P.A.

Following the cessation of R.O.P.A. logistic support arrangements, effective July 1, 1956, arrangements have been in effect for the Canadian component of the Commonwealth Contingent to obtain its needs in regard to utility services through United Kingdom sources with payments to be on a capitulation basis.

(SGD) G.Y. Loughhead
M.D. Armstrong
Assistant Deputy Minister (Finance)

Bag Tokyo



DS40/34

FM WASHDC JAN25/57 CONFD
TO EXTERNAL 188
INFO LDN CANDEL NY
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210-7-13	
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REF YOUR L19 JAN17

KOREAN CLAIMS NEGOTIATIONS

WHEN DISCUSSING NNSC INDEMNITIES WITH US YESTERDAY, NES OF THE STATE DEPT KOREAN DESK VOLUNTEERED SOME INFO ABOUT THE CLAIMS NEGOTIATIONS.

2. AS INDICATED IN OUR 2282 DEC11/56, THE STATE DEPT HAD AGAIN RAISED WITH UNC THE POSSIBILITY OF INCLUDING A WAIVER OF REAL ESTATE CLAIMS IN THE AGREEMENT TO SETTLE UTILITIES CLAIMS. NES SAID THAT UNC WAS STILL FIRMLY OF THE OPINION THAT ANY ATTEMPT TO DO THIS WOULD DEFINITELY TORPEDO THE PROSPECTS OF GETTING AN AGREEMENT WITH THE ROK ON THE SETTLEMENT OF UTILITIES CLAIMS, AND WOULD FURTHER HAVE THE DISADVANTAGE OF FORMALLY REOPENING THE QUESTION OF REAL ESTATE CLAIMS.

J 3. THE STATE DEPT IS MOST ANXIOUS TO BREAK OUT OF THE PRESENT IMPASSE CREATED BY THE INSISTENCE OF THE OTHER COMMONWEALTH GOVTS ON THE ONE HAND ON THE INCLUSION OF A REAL ESTATE CLAIMS WAIVER

IN THE AGREEMENT AND THE FIRM OPINION OF UNC ON THE OTHER HAND THAT THIS WOULD WRECK ANY PROSPECT OF OPENING AN AGREEMENT. AT THE SAME TIME UNC IS PRESSING FOR AUTHORITY TO GET ON A PAY-AS-YOU-GO BASIS FOR CURRENT CONSUMPTION OF ELECTRIC POWER. FAILURE TO DO SO IS PREJUDICING PROSPECTS FOR UNC'S OBTAINING ADDITIONAL SERVICES FROM BOTH PRIVATE AND PUBLIC UTILITIES COMPANIES WHICH ARE URGENTLY REQUIRED BOTH FOR TWO AMERICAN DIVISIONS IN THE FIELD WHICH ARE PLANNING TO STOP GENERATING THEIR OWN POWER AND FOR THE NEW CINCPAC HEADQUARTERS BEING MOVED FROM TOKYO TO SEOUL WHICH WILL BE DEPENDENT ON LOCAL OUTLETS. IT IS NOT POSSIBLE FOR ANY NEW CONTRACTS TO BE WRITTEN TO MEET THESE REQUIREMENTS SO LONG AS THE UNC PRACTICE OF NOT PAYING FOR

...2

NO.	INIT.
4	<i>AMBASSADOR</i>
	<i>NEWTON on</i>
1	<i>HALSTEAD</i>
2	<i>CORHAM</i>
	<i>SMITH</i>
3	<i>LALAN</i>
	<i>MISS CURRIE</i>

File m.

PAGE TWO 188

CURRENT CONSUMPTION PENDING THE OUTCOME OF THE CLAIMS NEGOTIATIONS IS CONTINUED.

4.ACCORDINGLY THE STATE DEPT IS CONSIDERING THE IDEA OF DESISTING FROM ATTEMPTS TO REACH ANY OVERALL SETTLEMENT OF THE UTILITIES CLAIMS AT THIS TIME AND HAVING UNC COMMENCE PAYMENTS FOR CURRENT CONSUMPTION ON THE BASIS OF AN ADMINISTRATIVE CONTRACTNES SAID THAT THIS WOULD NOT COMMIT ANYONE ELSE AT THIS TIME AND WOULD NOT SERIOUSLY DAMAGE UNC'S BARGAINING POSITION ON THE SETTLEMENT OF PAST CLAIMS,SINCE THERE WAS AN OUTSTANDING CLAIM FROM THE ROK OF SOME \$10 MILLIONS FOR THE PERIOD FROM OCT/55 TO THE PRESENT WHICH WOULD GO UNPAID FOR THE TIME BEING.

5.THE DECISION TO FOLLOW THIS COURSE IS NOT YET FIRM,BUT WE GATHERED THAT THE PRESSURE ON THE STATE DEPT TO START PAYMENTS FOR CURRENT CONSUMPTION IS PRETTY STRONG AND A DECISION WILL NOT BE LONG DEFERRED.

6.IF YOU HAVE ANY COMMENTS TO MAKE ON THE PROPOSED DEFERRMENT OF THE CLAIMS NEGOTIATIONS FOR WHAT MAY BE A CONSIDERABLE PERIOD WE SUGGEST YOU LET US KNOW AS SOON AS POSSIBLE.

7.SINCE THERE IS NO MOVE IN PROSPECT FOR THE RESUMPTION OF THE CLAIMS NEGOTIATIONS IN THE IMMEDIATE FUTURE WE DID NOT TAKE THE OPPORTUNITY TO REITERATE TO NES THE POINT MADE IN YOUR TEL UNDER

REF

HEENEY



DS24/23

FM EXTERNAL OTT JAN17/57 CONFID

TO WASHDC L19

INFO TOKYO LDN CANBERRA WELLINGTON

REF PARA 5 YOUR TEL 2282 DEC11/56 AND PARA 4 OUR TEL LL20 DEC7/56
KOREAN CLAIMS NEGOTIATIONS

WE UNDERSTAND FROM COPIES OF COMMUNICATIONS RECEIVED FROM EARNSCLIFFE THAT THE UK AUTHORITIES HAVE ASKED THEIR EMBASSY IN WASHDC TO EXPLAIN TO COMMONWEALTH'S MISSIONS CONCERNED THAT ONE OF THE REASONS THEY ARE ANXIOUS TO NEGOTIATE A POSSIBLE SETTLEMENT COVERING UTILITY SERVICES USED SINCE OCT1/55 DIRECTLY WITH THE KOREANS WAS BECAUSE, IN ADDITION TO THE DOLLAR PROBLEM THEY FEARED THAT THE USA MIGHT USE INFLATED ESTIMATES OF CONSUMPTION IN CALCULATING THEIR UTILITY EXPENSES.

2. IT IS OUR UNDERSTANDING THAT THE AMOUNT TO BE PAID TO THE KOREANS FOR UTILITY SERVICES PROVIDED DURING THE PERIOD FROM OCT1/55 TO THE SETTLEMENT DATE WILL DEPEND ON THE NUMBER OF UNITS, E.G. OF ELECTRICITY, CONSUMED AND THE PRICE PER UNIT. WITH REGARD TO THE PRICE PER UNIT, WE EXPECT TO BE TREATED ON A MOST FAVOURED USER BASIS. WITH RESPECT TO THE QUANTITIES CONSUMED, WE EXPECT THE USA TO USE AT LEAST AS FAR AS WE ARE CONCERNED, FIGURES WHICH BEAR A REASONABLE RELATIONSHIP TO QUANTITIES WHICH WE ESTIMATE TO HAVE BEEN USED BY OUR FORCES IN KOREA. IF, IN THE COURSE OF THE NEGOTIATIONS, THE USA DEPARTS FROM EITHER OF THESE TWO PRINCIPLES, WE WOULD WANT THEM TO BE TAKEN INTO ACCOUNT IN CALCULATING OUR SHARE OF THE REIMBURSEMENT BILL. IN OTHER WORDS, AS STATED IN PARA 2 OF OUR TEL LL16 DEC4/55, WE ARE PREPARED TO PAY OUR SHARE OF ANY (UNDERLINE) REASONABLE (END UNDERLINE) SETTLEMENT.

3. WE WOULD APPRECIATE IT IF YOU WOULD MAKE THESE POINTS CLEAR TO THE APPROPRIATE USA AUTHORITIES IF YOU HAVE NOT ALREADY DONE SO.

Bay Tokyo

210-7-13	
INDEXED By	FILED By

NO.	INIT.
1. AMBASSADOR	
2. NEWTON	<i>m</i>
3. HEGSTEAD	
4. SMITH	
5. KALANJE	
6. MISS CURRIE	

file m.



210-7-13	
INDEXED By	FILED By
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File
JH

AUSTRALIAN EMBASSY,
TOKYO.

17 January, 1957

Dear *John*,

For your information, we have received from Canberra a telegram in the following terms -

"Korean Claims Negotiations.

1. Please inform Brigadier Alderson that all Commonwealth Governments have agreed to nomination of R. G. Reay, Deputy Command Secretary, Hong Kong, to replace him as Commonwealth Representative on United Nations Team dealing with Korean Claims Negotiations.

2. Suggest you consult Commonwealth Missions and Alderson regarding date of handover."

Brigadier Alderson has informed me that he has handed over all the relevant files and documents to his successor and does not think that there is any need for any action on his or our part.

I am sending a copy of this letter to Basil Greenhill and Rex Cunningham.

Yours sincerely,

Robert Alderson

J. G. Halstead, Esq.,
First Secretary,
Canadian Embassy,
TOKYO.

TRANSMITTAL SLIP

TO:  CANADIAN EMBASSY,

TOKYO, JAPAN.

FROM THE UNDER-SECRETARY OF STATE FOR EXTERNAL

..... AFFAIRS.....

The documents described below are for your information.

Despatching Authority..Legal.Div./W.M.Wood/bl.....

Security....CONFIDENTIAL.....

Date.....January.8,1957.....

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

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

210-7-13	
INDEXED By	FILED By
-	

Copies	Description	Also referred to:																
1	Copy of telegram from Commonwealth Relations Office, dated December 21/56 <u>Subject:</u> Korean Claims Negotiations	<div data-bbox="1118 866 1481 1150"><table><tr><td>NO.</td><td>INIT.</td></tr><tr><td>AMBASSADOR</td><td></td></tr><tr><td>NEWSON 2m</td><td></td></tr><tr><td>HALSTEAD</td><td></td></tr><tr><td>2 GORHAM</td><td></td></tr><tr><td>SMITH</td><td></td></tr><tr><td>3 BALANCE</td><td></td></tr><tr><td>MISS CURRIE</td><td></td></tr></table></div>	NO.	INIT.	AMBASSADOR		NEWSON 2m		HALSTEAD		2 GORHAM		SMITH		3 BALANCE		MISS CURRIE	
NO.	INIT.																	
AMBASSADOR																		
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HALSTEAD																		
2 GORHAM																		
SMITH																		
3 BALANCE																		
MISS CURRIE																		



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P Y

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
U.K. High Commissioner in South Africa
U.K. High Commissioner in India (Acting)

RPTD: WASHINGTON) (SAVING) (VIA FOREIGN OFFICE)
TOKYO)

(Dated 21st December 1956)

Z. No. 37)
)
DELHI No. 263)

SAVING CONFIDENTIAL

Repeated Saving to Washington and Tokyo.

My telegram Z. No. 114/Delhi No. 2870 of 21st December.

KOREAN CLAIMS NEGOTIATIONS

Following is extract from communication to Washington referred to: Begins

We realise the bargaining power of the United States, but we think this power is more than offset by the inflated estimates the Americans use for calculating their utilities' expenses. For instance, the 8th United States Army base their electricity calculations on a consumption of .5 of a kilowatt per head per hour. At this rate the annual electricity bill for the Commonwealth Contingent, even at its present reduced size, would come to something in the region of £63,000, which, considering that the C.C.K. confine their use of electricity almost entirely to lighting, and that the buildings of the forward battalion are lit by electricity provided from army generators, is a ridiculously large sum.

(2) Moreover the bargaining power of the United States cuts both ways. Given time we could probably persuade the Koreans to agree to our figures, but it might be much more difficult to get the Americans to reduce our share of the reimbursement of a bill which they had already paid. We could only let the Americans negotiate for us if we could persuade them to agree in advance the exact sum of our debt to the Koreans. This would be difficult to do.

(3) Finally there is the question of currency, a point which only the Australians seem to have taken. Here again we could let the Americans negotiate on our behalf, but only if they reserved our right to pay in sterling or hwan the amount of our debt previously agreed with them. If the Americans were allowed to pay a sum on behalf of the whole of the United Nations Command we should have to reimburse them for our share in dollars. This of course we should not be anxious to do.

(4) We gather that the New Zealanders, and possibly the other Commonwealth countries, are worried because they have no means of negotiating direct with the Koreans. You should explain to your Commonwealth colleagues that we are quite willing to negotiate with the Koreans on behalf of the Commonwealth Contingent for both past and future claims, on the lines of other negotiations we have from time to time carried on. Ends

000881

CONFIDENTIAL

210-7-13

Tokyo, December 13, 1956

You may be interested in some further information we have received on developments in Washington with respect to the Korean claims negotiations.

The State Department has now confirmed that the agreement to be negotiated will cover claims against the governments with forces in Korea and that the U. N. Command is willing to negotiate arrangements for the future supply of utilities for all these governments.

The State Department, after consultation with the Defence Department, is unable to accept the Commonwealth suggestion that a waiver of real estate claims should be included in the agreement, because this has been an obstacle to agreement for more than a year and a half. Instead the State Department plans that a unilateral statement should be made by the U. N. Command before the agreement is concluded, making clear that our side has no intention of entertaining any real estate claims at any time.

. . . 2

D. O. Henley, Esquire,
British Embassy,
Tokyo

-2-

In view of the American desire for speedy action, Ottawa has informed Washington that Canada is prepared to agree to the proposed instructions to General Harmony, provided it is made absolutely clear to the Koreans that we do not intend to pay any real estate claims, and that Canada is willing to pay its share of any reasonable claims under the terms of the agreement concluded.

I am sending copies of this letter to Rex Cunningham and Dick Austin.

J. G. H. HALSTEAD

J. G. H. Halstead

TRANSMITTAL SLIP

TO: THE CANADIAN EMBASSY,

Security **CONFIDENTIAL**

TOKYO, Japan

Date **December 12, 1956.**

FROM: The Under-Secretary for External Affairs,

Air or Surface **Air**

OTTAWA, Canada.

No. of enclosures **1**

The documents described below are for your information.

210 - 7 - 13	
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Despatching Authority **Legal Division/W.M.Wood/eds**

Copies	Description	Also referred to:
1	telegram #2282 d/d December 11/56 from the CANADIAN EMBASSY, WASHINGTON re: KOREAN CLAIMS NEGOTIATIONS	London Canberra Wellington

NO.	INIT.
AMBASSADOR	
NEWTON <i>mn</i>	
HALSTEAD	
GORHAM	
SMITH	
<i>2</i> LALAN <i>spile</i>	
MISS CURRIE	

000884 *mn*

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DS41/406

FM WASHDC DEC11/56 CONFD

TO EXTERNAL 2282

REF YOUR LL20 DEC7

KOREAN CLAIMS NEGOTIATIONS

WE SPOKE TO NES(KOREAN DESK, STATE DEPT) THIS AFTERNOON ALONG THE
LINES SUGGESTED IN YOUR TEL.

2. WITH RESPECT TO THE QUESTION OF INCLUDING A REAL ESTATE CLAIMS
WAIVER IN THE UTILITIES AGREEMENT, NES REITERATED THE STATE DEPT
AND DEFENCE DEPT PREFERENCE TO LEAVE IT OUT. THERE IS SOME FEAR THAT,
IF THE QUESTION OF REAL ESTATE CLAIMS IS TO BE COVERED BY THIS
AGREEMENT, KOREANS MIGHT WISH TO MAKE THE AGREEMENT EVEN MORE COM-
PREHENSIVE TO COVER TORT CLAIMS WHICH ARE ALSO OUTSTANDING. NES KV
SAID, HOWEVER, THAT A MSG HAD BEEN SENT TO UNC IN SEOUL SETTING FORTH
THE UK POSITION AND ASKING FOR AN ANALYSIS OF PROBABLE ROK REACTION
TO THE INCLUSION OF A REAL ESTATE WAIVER IN THE AGREEMENT. NES ADDED
THAT HE THOUGHT THE OPPOSITION FROM THE UNC TO THE INCLUSION OF A
REAL ESTATE(WAIVER?) WOULD BE STRONG. ON A PERSONAL BASIS HE MENTIONED
AS A POSSIBLE SOLUTION AN INSTRUCTION TO UNC TO PRESS HARD FOR
THE INCLUSION OF A REAL ESTATE CLAIMS WAIVER WITH A PROVISIO THAT
THIS BE WITHDRAWN IF THE NEGOTIATORS FEARED THAT THIS DEMAND MIGHT
RESULT IN A BREAKDOWN OF THE NEGOTIATIONS. NES EMPHASIZED THAT HE WAS
NOT ADVANCING THIS IDEA FORMALLY BUT WAS MERELY MENTIONING A SUGGES-
TION THAT WAS BEING PUT TO UNC. HE SAID THAT THE STATE DEPT WOULD
BE IN TOUCH WITH US AGAIN AS SOON AS UNC REACTION WAS AVAILABLE. WE
INDICATED OUR PREFERENCE FOR THE INCLUSION OF A REAL ESTATE

...2

PAGE TWO 2282

CLAIMS WAIVER BUT IN THE CIRCUMSTANCES DID NOT THINK IT NECESSARY TO SAY THAT WE WOULD BE PREPARED TO ACCEPT THE STATE DEPT'S PROPOSAL MENTIONED IN OUR TEL 2189.

3.NES SAID THAT THE UK PROPOSAL THAT THE UNC WAIVER OF CLAIMS APPLY TO A PERIOD OF NINE OR TWELVE MONTHS PRIOR TO THE SIGNING OF AN AGREEMENT HAD ALSO BEEN REFERRED TO UNC FOR COMMENTS.NES AGREED THAT THIS IDEA HAD SOME TACTICAL ADVANTAGE BUT SAID THE STATE DEPT FEARED THAT THIS FORMULA MIGHT LEAD THE ROK GOVT TO RAISE DIFFICULTIES ABOUT THE PERIOD FROM OCT1/55, TO THE DATE WHEN FULL PAYMENT FOR UTILITIES WOULD COMMENCE SINCE DURING THIS PERIOD THERE WERE INSUFFICIENT OFFSETS TO CANCEL OUT THE ROK CLAIMS.HERE AGAIN NES SAID THAT HE WOULD BE IN TOUCH WITH US WHEN UNC REACTION WAS KNOWN.

4.NES SAID THAT HE UNDERSTOOD THE REF IN THE UK PROPOSALS TO THE "VALUE OF EQUIPMENT, MATERIALS, SUPPLIES AND SERVICES FURNISHED BY THE UN FORCES IN KOREA" WAS A SAVING CLAUSE TO BE EMPLOYED IN CASE THE ROK MIGHT PRESENT SOME OUTRAGEOUS CLAIMS.HE CONFIRMED THAT ARRANGEMENTS FOR FUTURE PAYMENTS WOULD BE BASED ON THE LOWEST RATE CHARGED TO ANY OTHER CONSUMER.THE UK SUGGESTION IS THEREFORE APPARENTLY MERELY A TALKING POINT.

5.NES ALSO CONFIRMED OUR UNDERSTANDING THAT THE UN COMMAND HAD NO UTILITY CLAIMS OF ANY CONSEQUENCE ON THE ROK FOR THE PERIOD FROM OCT1/55, TO THE PRESENT.HE WAS FRANKLY PUZZLED AS TO WHY THE UK WERE UNWILLING TO GO ALONG WITH THE WORKING OF PARA 2(B) OF THE PROPOSED INSTRUCTION TO GENERAL HARMONY.HE THOUGHT THIS POINT MIGHT BE RELATED TO THE FACT THAT THE UK WERE UNWILLING THAT THE UN COMMAND SHOULD PAY ON THEIR BEHALF FOR UTILITIES USED SINCE OCT1/55, BECAUSE OF THE DOLLAR PROBLEM.HE WAS NOT CLEAR AS TO HOW THE UK COULD SETTLE THEIR ACCOUNTS SEPARATELY AS HIS UNDERSTANDING WAS THAT PAYMENT OF ROK CLAIMS AGAINST THE UNC FOR THE PERIOD SINCE

...3

PAGE THREE 2282

OCT1/55, WOULD BE MERELY AN ADDITIONAL ITEM TO BE ADDED TO OOTHER OUTSTANDING ACCOUNTS WHICH PARTICIPATING GOVTS WOULD HAVE TO SETTLE WITH THE USA. WE POINTED OUT THAT THIS PROBLEM DID NOT WORRY US AND WE WOULD BE PREPARED TO PAY TO THE USA OUR SHARE OF REASONABLE CLAIMS. 6. NES SAID THAT ONE ADDITIONAL FACTOR THAT WAS GIVING THE USA CAUSE FOR CONCERN WAS THE FACT THAT SEVERAL PRIVATE UTILITY COMPANIES HAD CLAIMS AGAINST THE UN COMMAND WHICH WERE NOT BEING SETTLED PENDING THE CONCLUSION OF THE UNC-ROK NEGOTIATIONS. SOME OF THESE PRIVATE UTILITY COMPANIES WERE SUPPLYING UP TO 60 PERCENT OF THEIR TOTAL OUTPUT TO THE UN COMMAND AND WERE RECEIVING NO RETURN. UNLESS THE WHOLE CLAIMS PROBLEM CAN BE SETTLED SOON, SOME OF THESE PRIVATE COMPANIES MIGHT HAVE TO GO INTO LIQUIDATION. AS THE USA HAS ENCOURAGED THE ESTABLISHMENT OF SOME OF THESE PRIVATE COMPANIES, THEY ARE NATURALLY ANXIOUS THAT THEIR POSITION SHOULD NOT BE JEOPARDIZED BY FURTHER DELAY IN SETTLEMENT OF THE CLAIMS PROBLEM.

7. NES SAID THAT A REPLY FROM THE UN COMMAND TO THE REQUEST FOR COMMENTS ON POINTS RAISED BY THE UK WAS EXPECTED THIS WEEK AND HE HOPED TO HAVE A FURTHER MEETING WITH REPS OF PARTICIPATING GOVTS NEXT WEEK. HE CONFIRMED THAT WE WOULD BE ABLE TO EXAMINE COPIES OF THE AGREEMENTS ON PAST AND FUTURE CLAIMS BEFORE THEY ARE SIGNED

HEENEY

CONFIDENTIAL



J.G.H. Halstead, Esq.,
First Secretary,
Canadian Embassy,
TOKYO.

210-7-13	
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*With the compliments
of the
New Zealand Legation,
Tokyo.*



NO.	INIT.
AMBASSADOR	
1 NEWTON	
HALSTEAD	
GORHAM	
SMITH	
2 LALAN E	
MISS CURRIE	

file

11.12.56.

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CONFIDENTIAL

5/K/5

11 December 1956.

I am enclosing for your information a copy of a report to Wellington from our Embassy in Washington on the meeting concerning Korean claims held there on 27 November. This accords with the account which John Halstead has already given us in his letter of 5 December.

I am sending copies to John Halstead and Dick Austin.

Yours ever,

Encl.

D.O. Henley, Esq.,
Counsellor,
British Embassy,
No. 1, Ichiban-cho,
Chiyoda-ku,
TOKYO.

CONFIDENTIAL

000890

CONFIDENTIAL

MEMORANDUM FROM THE COUNSELLOR, NEW ZEALAND EMBASSY,
WASHINGTON, DATED 28 NOVEMBER 1956

A meeting was called by the State Department yesterday to consider a draft of instructions (copy attached) which it was proposed to send to the Commander-in-Chief, U.N. Command. The representatives from Turkey and Thailand were present in addition to members of the "old" Commonwealth. Other countries which had had forces in Korea were not represented because under the terms of the proposed instructions they would not have been affected. None of the countries represented had received any instructions, although Canada and the United Kingdom were generally aware of the course of the negotiations.

Whereas the original draft agreement provided for the mutual waiver of all claims up to the effective date of the new arrangements, the proposed instructions went some way towards meeting the Korean counter proposals. In particular, it was proposed to set aside all real estate claims but at the same time to "reiterate to ROK that concerned U.N. Governments will not accept or consider real estate claims of any nature". The ROK were not to be asked to accept this position by waiving their excessive real estate claims. In addition, they were to be paid for utilities furnished from the approximate date of the withdrawal of power barges, 1 October 1955. The State Department and Defence Department officials thought that payment would probably be made by UNC and that the cost would be distributed among the other Governments concerned on some equitable basis, such as strength of military forces.

The State Department representative explained that the United States were very anxious to conclude the negotiations as early as possible as they were under heavy pressure to pay for current use of electric power. He said that there had been a considerable amount of press criticism and that the fact that United Nations forces were not paying for electric power was being used as an excuse for the unsatisfactory financial position of the electric power companies. They felt that if agreement could be reached on utility claims, and payments for the current use of utilities made, the main source of criticism would be removed. If the Koreans then came back with their real estate claims these could then be more or less ignored and the present United Nations position maintained. It was not thought that this matter, which related to past claims rather than current use of facilities, would be taken up very strongly by the press or lead to undue adverse criticism in Korea.

In view of your reaction to the Korean counter proposals and the last sentence of paragraph 2 of the memorandum dated 18 October from the New Zealand Legation in Japan, we suggested that a unilateral statement by the United Nations side about real estate claims would not necessarily dispose of them and that it would be desirable to continue to press for a specific waiver from the ROK while some bargaining points were still retained. Furthermore, the agreement to date UNC payments for utilities back to 1 October 1955 was a concession compared with the original UNC position which might have been used as one of the bargaining points in an attempt to obtain an ROK waiver of real estate claims. We pointed out that unless a specific waiver of real estate claims was obtained from the Koreans before the utility claims were settled another opportunity would not occur, and that there was a possibility that the Koreans, for political reasons, would continue to insist that

/the real estate

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2.

the real estate claims be negotiated. Other Commonwealth representatives, although without instructions, expressed similar views. As a result, the State Department agreed to hold the instructions in the meantime to give further consideration to the question of obtaining formal ROK acceptance of the United Nations governments position as stated in the last sentence of paragraph 1 of the draft instructions, and to call a further meeting of the countries concerned at a later date.

We understand that the State Department intend to ask the United States Army senior negotiator in Korea for his comments about the possibility of obtaining a waiver of real estate claims from the ROK Government. In view of the attitude which has been taken by General Harmony, particularly in his letter of 18 June 1956 to the ROK Minister of Reconstruction and Representative of the ROK for the Settlement of Claims and Accounts, in which he proposed, apparently without instructions from here, that real estate be excluded from the negotiations, it would seem unlikely that he will now advise that an attempt be made to obtain a specific waiver of real estate claims. In deciding whether UNC should insist on a real estate claim waiver, it will be necessary to weigh up the advantages of obtaining an early settlement of the utility claims which would then remove a continuing source of friction arising from the non-payment for the use of current facilities, such as electric power, against the disadvantage of leaving the Koreans free to continue to demand settlement of the real estate claims. It is noted that in the memorandum from the New Zealand Legation in Japan dated 18 October the view is expressed that politically the Korean Government would not be able specifically to waive claims to real estate. In these circumstances, if a firm statement is made that the United Nations governments will not accept or consider real estate claims of any nature it may be possible for the Koreans to accept this statement informally and without the "loss of face" that a formal specific waiver would involve. In this case, the matter may not be raised again by the Koreans.

In explaining the draft instructions, the State Department representative said that the agreement would be between the United States and the ROK Government and that, while it would not in any way bind governments other than the United States, it would establish a precedent for any negotiations by those governments. He suggested that to avoid a series of negotiations by other governments with the ROK Government, it might be possible for them to delegate responsibility to the United States negotiator to negotiate on their behalf. The suggestion that the agreement should be a bilateral one between the United States and the ROK Government was questioned by the representatives of other countries. It had been understood that General Harmony represented the Unified Command and that, in these negotiations, he did not represent the United States Government. The United States representatives, who did not appear to be well briefed about this matter, agreed to obtain a clarification of the position before the next meeting. We would appreciate your cabled advice as to whether we should agree to the instructions as drafted in the event that the United States should decide not to press for a formal and specific waiver of the real estate claims by the Koreans.

As far as the payment for facilities from 1 October 1955 is concerned, the great bulk of this will be paid by the United States and we assume that our share, if distributed on the basis of numbers of troops in the area, will be very small. In these circumstances, it would seem that we would not wish to take a strong line about this particular concession to the Koreans.

CONFIDENTIAL

/The details 000892

CONFIDENTIAL

3.

The detailed balance sheet referred to in the last paragraph of your memorandum of 13 November was not enclosed. However, in view of the proposed draft instructions about this matter we assume that it will not be necessary to pursue the questions which you raised about this balance sheet.

CONFIDENTIAL

000893

TRANSMITTAL SLIP

TO: THE CANADIAN EMBASSY,

TOKYO, Japan.

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

The documents described below are for your information.

Despatching Authority... Legal Division/W.M. Wood/eds...

Security CONFIDENTIAL

Date... December 10/56.

Air or Surface... Air

No. of enclosures... 1

210-7-13	
INDEXED By	FILED By

Copies

Description

Also referred to:

1

our letter to Mr. J. L. Lavett of the
Office of the High Commissioner for
Australia, Ottawa.



NO.	INIT.
1	AMBASSADOR
	NEWTON
2	HALSTED
3	SMITH
4	LALAN
	MISS CURRIE

9 file 000894

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Your File: 112/1/1

OTTAWA, December 10, 1956.

Dear Mr. Lavett,

In reply to your letter of December 5th, I am pleased to inform you that the nomination of Mr. R. G. Reay, to replace Brigadier Alderson as Commonwealth Representative on the United Nations Negotiating Team during the settlement of Korean claims, is acceptable to the Canadian authorities.

Yours sincerely,

GILLES SICOTTE

G. Sicotte,
Legal Division.

J. L. Lavett, Esq.,


Third Secretary,

Office of the High Commissioner
for Australia,

100 Sparks Street,

Ottawa.

TRANSMITTAL SLIP

TO:  THE CANADIAN EMBASSY,
Tokyo, JAPAN.
FROM: The Under-Secretary of State
for External Affairs, OTTAWA

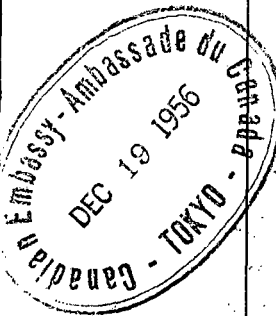
The documents described below are for your information.

Despatching Authority. Legal Division/W.M.Wood/eds.....

Security... **CONFIDENTIAL**
Date..... **December 10, 1956.**
Air or Surface... **Air**
No. of enclosures... **1**

210-7-13	
INDEXED By	FILED By

Copies	Description	Also referred to:
1	Our telegram LL-20 d/d December 7, 1956 to THE CANADIAN EMBASSY, WASHINGTON, D.C., on: KOREAN CLAIMS NEGOTIATIONS -- WOOD-MAYBEE CONVERSATION OF DECEMBER 7/56.	London, Canberra Wellington



NO. INIT.

AMBASSADOR

NEWTON *m*

~~WALSTEAD~~

GORHAM

SMITH

2 LALANCE *sl*

MISS CURRIE

File - m

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MESSAGE FORM OUTGOING

File No.	
50069-M-40	

FROM: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

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

Message To Be Sent		No.	Date	For Communications Section Only
AIR CYPHER		LL-20	December 7, 1956.	
EN CLAIR				
CODE				
CYPHER		REFERENCE:		
Priority		OURTEL LL-16 OF DECEMBER 4, 1956.		
..... IMPORTANT		SUBJECT:		
ORIGINATOR		KOREAN CLAIMS NEGOTIATIONS --		
W. MCKENZIE WOOD		WOOD-MAYBEE CONVERSATION OF DECEMBER 7.		
(Signature)		SINCE SENDING YOU OUR TELEGRAM UNDER		
.....		REFERENCE, UPON WHICH WE UNDERSTAND YOU HAVE NOT		
W. McKenzie Wood/eds		YET ACTED, THE UNITED KINGDOM AUTHORITIES,		
(Name Typed)		THROUGH EARNSCLIFFE, HAVE ASKED US WHETHER WE		
Div.....		WOULD BE PREPARED, ALONG WITH THE OTHER COMMON-		
Local Tel.....		WEALTH COUNTRIES, TO SUPPORT A COMPROMISE		
2-2002		PROPOSAL IN WASHINGTON ALONG THE FOLLOWING LINES:		
APPROVED BY		a) NEGOTIATION OF THE SETTLEMENT OF CLAIMS		
GILLES SICOTTE		AND ACCOUNTS IN KOREA TO BE CONFINED TO		
(Signature)		UTILITY SERVICES AND ALL REAL ESTATE CLAIMS,		
.....		PAST AND FUTURE, TO BE WAIVED BY THE		
G. Sicotte		KOREAN AUTHORITIES.		
(Name Typed)		b) THE KOREANS AND THE UNITED NATIONS COMMAND		
Internal Distribution:		SHOULD WAIVE ALL PAST CLAIMS FOR UTILITY		
S.S.E.A. - U.S.S.E.A.		SERVICES UP TO A DATE NINE MONTHS (OR AS A		
DL (1) Division		LAST RESORT, TWELVE MONTHS) PRIOR TO THE		
Far East "		SIGNING OF AN AGREEMENT. RETROSPECTION TO A		
Done.....		FIXED DATE, E.G., 1ST JANUARY 1956 WOULD NOT		
Date.....		REPEAT NOT INDUCE THE KOREAN AUTHORITIES TO		
Copies Referred To:		COME TO AN EARLY AGREEMENT BUT THIS METHOD		
DM/Nat'l Defence		OF RETROSPECTION SHOULD ACT AS AN INDUCEMENT		
DM/Finance		TO DO SO.		
Tokyo ✓				
Canberra				
Wellington				
London				
Done.....				
Date.....				
Ext. 97 (Rev. 1/52)				

- 2 -

c) PAYMENT AFTER THE SIGNATURE OF AN AGREEMENT TO BE ON A CURRENT BASIS, TAKING INTO ACCOUNT THE VALUE OF EQUIPMENT, MATERIALS, SUPPLIES AND SERVICES FURNISHED BY THE UNITED NATIONS FORCES IN KOREA TO THE KOREAN FORCES.

2. OUR POSITION ON THE ABOVE PROPOSALS IS AS FOLLOWS:

(a) AS YOU KNOW WE WOULD PREFER TO HAVE REAL ESTATE CLAIMS WAIVED BY THE KOREANS BUT WE WOULD BE SATISFIED WITH THE STATE DEPARTMENT'S PROPOSAL IN YOUR TELEGRAM 2189 OF NOVEMBER 30 THAT THE UNITED NATIONS COMMAND WOULD MAKE A UNILATERAL DECLARATION TO THE EFFECT THAT NO REAL ESTATE CLAIMS WOULD BE PAID. YOU MAY THEREFORE GIVE SOME SUPPORT TO THE UNITED KINGDOM ON THEIR POINT (a) BUT IF THE UNITED STATES REMAIN ADAMANT WE ARE PREPARED TO AGREE WITH THE UNITED STATES PROPOSAL.

(b) WE ARE PREPARED TO SUPPORT THE TACTICS PROPOSED BY THE UNITED KINGDOM, BUT IF IT IS NOT REPEAT NOT ACCEPTABLE TO THE STATE DEPARTMENT WE AGREE TO PAYMENT FOR UTILITIES BEING BACKDATED TO OCTOBER 1, 1955.

(c) WE AGREE THAT PAYMENT FOR UTILITIES AFTER SIGNATURE OF THE AGREEMENT SHOULD BE ON A CURRENT BASIS. WE ARE NOT REPEAT NOT TOO SURE WHAT THE UNITED KINGDOM MEAN BY TAKING INTO ACCOUNT THE VALUE OF EQUIPMENT, MATERIALS, SUPPLIES AND SERVICES FURNISHED BY THE UNITED NATIONS FORCES IN KOREA. IT IS OUR UNDERSTANDING THAT FUTURE PAYMENTS WOULD BE BASED ON THE LOWEST RATE CHARGED TO ANY OTHER

..... 3

- 3 -

CONSUMER IN KOREA AND WE WOULD BE SATISFIED WITH THIS ARRANGEMENT.

3. WE UNDERSTAND THAT THE UNITED KINGDOM EMBASSY IN WASHINGTON HAS BEEN INSTRUCTED TO QUERY THE WORDING IN PARAGRAPH 2 (B) OF THE NEW DRAFT DIRECTIVE TO GENERAL HARMONY ON THE GROUNDS THAT IT SUGGESTS THAT THEY WOULD BE WILLING TO WAIVE THEIR OWN RIGHT TO CLAIM FOR EFFECTS DURING THIS PERIOD OF OCTOBER 1, 1955 TO THE PRESENT. IT IS OUR UNDERSTANDING THAT UNITED NATIONS COMMAND HAS NO UTILITY CLAIM ON THE ROK FOR THAT PERIOD. THE POINT RAISED BY THE UNITED KINGDOM IN THIS CONNECTION APPEARS THEREFORE TO BE ACADEMIC. PLEASE INFORM US IF THE POSITION AS EXPLAINED BY THE UNITED STATES (PARAGRAPH 8 OF YOUR TELEGRAM 2155) IS INCORRECT.

4. WE UNDERSTAND THAT THE UNITED KINGDOM DO NOT REPEAT NOT AGREE THAT THE UNITED NATIONS COMMAND SHOULD PAY ON THEIR BEHALF FOR UTILITIES USED SINCE OCTOBER 1, 1955 AND IF THE SETTLEMENT IS BACKDATED WOULD WISH TO NEGOTIATE DIRECT WITH THE KOREANS ABOUT TERMS AND CURRENCY OF SUCH A SETTLEMENT. THE UNITED KINGDOM POSITION IS NO DOUBT MOTIVATED BY THE DOLLAR PROBLEM. THIS PROBLEM DOES NOT REPEAT NOT EXIST FOR US AND WE THINK THAT IT WOULD BE SIMPLER FOR US TO PAY DIRECTLY TO THE UNITED STATES OUR SHARE OF REASONABLE CLAIMS.

5. IF, AFTER DISCUSSIONS WITH OTHER COMMONWEALTH COUNTRIES, THE UNITED STATES AUTHORITIES ARE NOT REPEAT NOT PREPARED TO ALTER THE INSTRUCTIONS

..... 4

- 4 -

TO GENERAL HARMONY CONTAINED IN YOUR TELEGRAM 2156 OF NOVEMBER 27 AND IT APPEARS THAT THE UNITED STATES WILL GO AHEAD ON ITS OWN AND CONCLUDE AN AGREEMENT WITH THE KOREANS, THEN YOU SHOULD ACT ON THE INSTRUCTIONS CONTAINED IN PARAGRAPH 2 OF OUR TELEGRAM LL-16.

6. WE WOULD LIKE TO SEE COPIES OF THE AGREEMENTS ON PAST AND FUTURE CLAIMS BEFORE THEY ARE SIGNED.

EXTERNAL

TRANSMITTAL SLIP

TO: THE CANADIAN EMBASSY,
TOKYO, Japan

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

Security... CONFIDENTIAL

Date... December 6, 1956.

Air or Surface... Air

No. of enclosures... 1

The documents described below are for your information.

Despatching Authority Legal Division/W.M.Wood/eds

210-7-13	
INDEXED BY	FILED BY

Copies	Description	Also referred to:
1	<p>Ourtel LL-16 of December 4/56 to The Canadian Embassy, Washington re: KOREAN CLAIMS NEGOTIATIONS</p> <p><i>Embassy - Ambassade du Canada DEC 12 1956 TOKYO - epenev</i></p>	<p>NO. 3 AMBASSADOR NEWTON HALSTEAD GORHAM SMITH LALANDE MISS CURRIE</p> <p>INIT.</p>

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Security ..CONFIDENTIAL.....

MESSAGE FORM
OUTGOING

File No.	
50069-M-40	

FROM: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

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

Message To Be Sent		No. LL-16	Date December 4, 1956.	For Communications Section Only
AIR CYPHER		<p><u>REFERENCE:</u> YOURTEL #2189 OF NOVEMBER 30, 1956.</p> <p><u>SUBJECT:</u> KOREAN CLAIMS NEGOTIATIONS</p> <p>WE ARE GLAD TO NOTE FROM YOUR TELEGRAM UNDER REFERENCE THAT IT IS STILL PROPOSED THAT THE AGREEMENT WITH THE KOREANS WILL INCLUDE OTHER INTERESTED GOVERNMENTS.</p> <p>2. PLEASE INDICATE TO THE STATE DEPARTMENT THAT WE ARE AGREEABLE TO THE PROPOSED INSTRUCTIONS TO GENERAL HARMONY CONTAINED IN YOUR TELEGRAM #2156 OF NOVEMBER 27 AND THAT WE WOULD WISH TO BE A PARTY TO THE AGREEMENT CONCLUDED WITH THE KOREANS (EVEN IF THE OTHER COMMONWEALTH COUNTRIES DO NOT REPEAT NOT WISH TO BE INCLUDED) AND THAT WE WOULD BE WILLING TO PAY OUR SHARE OF ANY REASONABLE CLAIMS ON THE UNITED NATIONS COMMAND UNDER THE TERMS OF THE AGREEMENT. HOWEVER IT SHOULD BE MADE ABSOLUTELY CLEAR TO THE KOREANS THAT WE DO NOT REPEAT NOT INTEND PAYING ANY REAL ESTATE CLAIMS AND IN THIS CONNECTION WE WOULD HOPE THAT THE STATE DEPARTMENT WOULD MAINTAIN ITS POSITION AS OUTLINED IN PARAGRAPH 5 OF YOUR TELEGRAM #2155.</p> <p>3. PLEASE INFORM US IF THERE ARE ANY CHANGES IN THE INSTRUCTIONS TO BE SENT TO GENERAL HARMONY OR IN THE BASIS FOR SETTLEMENT.</p>		
EN CLAIR				
CODE				
CYPHER				
Priority IMMEDIATE				
ORIGINATOR W. MCKENZIE WOOD (Signature) W. McKenzie Wood/eds (Name Typed) Div.....Legal..... Local Tel....2-2002.....				
APPROVED BY JULES LÉGER (Signature) Jules Leger (Name Typed)				
Internal Distribution: S.S.E.A. - U.S.S.E.A. DL (1) Div. Far East " Done..... Date.....				
Copies Referred To: DM/National Def. DM/Finance Tokyo Done..... Date.....				
Ext. 97 (Rev. 1/52)				

000905

EXTERNAL

TRANSMITTAL SLIP

CONFIDENTIAL

TO: **CANADIAN EMBASSY**

TOKYO, Japan

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

The documents described below are for your information.

Despatching Authority: **Legal Division/W.M.Wood/eds**

Security.....

Date..... **December 5, 1956.**

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

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

210-7-13	
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Copies

1

Description

**Telegram #2155 dated November 27/56
2189
from the Canadian Embassy, Washington
on - KOREAN CLAIMS NEGOTIATIONS**

Also referred to:

London

Canberra

Wellington



NO.	INIT.
3	AMBASSADOR
1	NEWTON
1	HALSTEAD
	GORHAM
	SMITH
2	SALANES
	MISS CURRIE

af file m

000906

(Instruction on Reverse Side)

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DS37/390

FM WASHDC NOV30/56 CONFD

TO EXTERNAL 2189 IMPORTANT

REF OUR TEL 2155 NOV27

KOREAN CLAIMS NEGOTIATIONS

NES(OFFICER IN CHARGE,KOREAN AFFAIRS)CALLED THIS MORNING TO PROVIDE FURTHER INFO ON THIS SUBJECT.

2.WITH RESPECT TO THE POINT RAISED IN PARA3 OF OUR TEL UNDER REF,NES SAID THAT THE AGREEMENT WHICH THE UN COMMAND WOULD NEGOTIATE WITH THE ROK GOVT WOULD COVER ALL GOVTS WITH FORCES IN KOREA AND THAT THE UN COMMAND WOULD BE WILLING TO REPRESENT ALL GOVTS WHEN NEGOTIATING AN AGREEMENT FOR FUTURE SUPPLY OF UTILITIES AND ARRANGEMENTS FOR PAYING FOR THESE UTILITIES.

3.WITH RESPECT TO THE INCLUSION OF A WAIVER OF REAL ESTATE CLAIMS IN THE UTILITIES CLAIMS AGREEMENT,NES SAID THAT THE DEPT OF DEFENCE HAD POINTED OUT THAT THIS HAD BEEN A STICKING POINT IN THE NEGOTIATIONS FOR MORE THAN A YEAR AND A HALF.UN COMMAND HAD TRIED TO GET PRIOR AGREEMENT OF THE ROK GOVT TO THE WAIVING OF REAL ESTATE CLAIMS BUT WITHOUT SUCCESS.IT WAS POINTED OUT THAT THE KOREAN COUNTER-PROPOSAL ADDRESSES ITSELF TO THIS POINT AND ENDEAVOURS TO KEEP THE TWO CATEGORIES OF CLAIMS DIVORCED.

4.NES SAID THAT IT WAS PLANNED THAT A UNILATERAL STATEMENT WOULD BE MADE INDICATING THAT THE UNC WAS ENTERING THE UTILITIES NEGOTIATIONS WITH NO INTENTION OF ENTERTAINING ANY REAL ESTATE CLAIMS AT ANY TIME.NES CONFIRMED THAT THIS STATEMENT WOULD BE MADE BEFORE THE UTILITIES AGREEMENT WAS REACHED.THE USA VIEW IS THAT ACHIEVEMENT OF

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PAGE TWO 2189

A UTILITIES CLAIMS AGREEMENT WOULD ONLY BE FURTHER DEFERRED IF THE UNC INSISTS THAT THE KOREANS AGREE TO A WAIVER OF REAL ESTATE CLAIMS AS A CONDITION OF THE SETTLEMENT. NES POINTED OUT THAT IT WOULD PROBABLY BE EASIER FOR THE KOREANS TO ACCEPT A UNILATERAL STATEMENT THAN FOR THEM TO AGREE VOLUNTARILY TO WAIVE THE REAL ESTATE CLAIMS.

5. NES EXPRESSED THE HOPE THAT ALL GOVTS CONCERNED WOULD BE ABLE TO AGREE TO THE TACTICS WHICH THE STATE DEPT PROPOSES TO FOLLOW. HE EMPHASIZED AGAIN THE NEED FOR SPEEDY ACTION AND HOPED THAT THE CANADIAN REACTION WOULD BE AVAILABLE IN THE IMMEDIATE FUTURE

HEENEY

FILE COPY

210-7-13

cc: R. R. Cunninghame
R. W. L. Austin

CONFIDENTIAL

Tokyo, December 5, 1956

With further reference to my letter of November 21 concerning the Korean Claims Negotiations, I have now had word from Ottawa about the action taken by our people in Washington to followup the recent discovery that instructions were being prepared for General Harmony without consultation with other governments concerned.

On November 26 our Embassy in Washington was instructed to reaffirm to the State Department our interest in this matter, which will have financial consequences for us, and to express the hope that before any new instructions are sent the State Department will give us and the others concerned the opportunity to comment. At the same time preliminary comments were sent to the Embassy, a summary of which is attached.

After consultations among the Old Commonwealth Missions in Washington a meeting was held at the State Department on November 27 attended by representatives from these missions and from the Turkish and Thailand Embassies. At this meeting the State Department officer in charge of Korean affairs distributed copies of the proposed instructions to General Harmony, the text of which is attached.

This officer explained that these instructions were intended for a USA - ROK Agreement, which for

..2

D. O. Henley, Esquire,
Counsellor,
British Embassy,
T o k y o

- 2 -

political reasons the US Government wish to conclude as quickly as possible and which the State Department is anxious to complete before December 15 when General Harmony leaves Korea. He could not explain, but undertook to obtain clarification, why the Agreement should be described as a USA - ROK Agreement rather than a UNC - ROK Agreement, since it would involve charges against other governments as well as the US.

In reply to a suggestion from the United Kingdom, New Zealand and Canadian Representatives that a waiver of all real estate claims be included as part of the Agreement, the State Department officer said that the Defense Department and the UN Command would be consulted on this point and that there would be further consultation with the interested governments before final instructions were sent to General Harmony. However, the State Department clearly favoured omitting mention of such a waiver on the grounds that it might hold up conclusion of the Agreement.

With respect to the question of tabulating claims and counter-claims, which the Canadian Representative raised, the State Department officer said that:

- (a) A full tabulation was not considered necessary, since all the claims prior to October 1, 1955 were to be waived;
- (b) There were virtually no UN claims for the period after October 1, 1955, while the ROK claims from October 1, 1955 to July 1, 1956 (of which the Commonwealth Governments would be expected to share) were between \$2,000,000 and \$3,000,000.

I am sending copies of this letter to Rex Cunninghame and Dick Austin and would suggest that we have an early word about this together.

J. G. H. HALSTEAD

J. G. H. Halstead

Rfy
Res put on file
"Korea - Status of Forces"
42

Korea Press, Dec. 1, 1955

Korea Asks UNC to Pay \$50 Mil. Bill

~~2405~~
210-7-13

Seoul, Nov. 30 -- Korea today asked the United Nations military command to pay it \$50,000,000 for utility services provided to Allied troops in Korea since the war started.

Government spokesman Dr. Hongkee Karl made the request in an official statement issued immediately after a Cabinet meeting. He said the U.N. promised when the war started that the United States would pay bills for electricity, water and transportation.

"We dislike," Karl said, "presenting bills to the gallant Allies who fought shoulder to shoulder with us against the Communist aggressors.


"But we must get our financial house in order. We must fight inflation."

He said Korea needs the money to help "fill the nearly exhausted treasury."

But Karl's statement made no mention of an estimated \$500,000,000 which Korea earlier claimed as rent for buildings and land used by U.N. troops since the war started in June, 1950.

Karl charged that U.N. failure to pay the \$50,000,000 utility bill was "a factor that has fed the inflationary tendencies we all oppose."

TRANSMITTAL SLIP


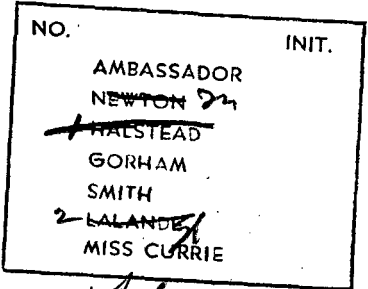
TO:  CANADIAN EMBASSY,
TOKYO, Japan.
FROM: THE UNDER-SECRETARY OF STATE FOR
EXTERNAL AFFAIRS, OTTAWA.

Security... CONFIDENTIAL
Date... November 28, 1956.
Air or Surface... Air
No. of enclosures... 2

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Despatching Authority... Legal Division/W.M.Wood/eds

210-7-13	
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Copies	Description	Also referred to:
1 each	Telegrams No. 2155 and 2156 from Canadian Embassy, Washington on: KOREAN CLAIMS NEGOTIATIONS  <i>Gen. Gard</i>	Canberra London ✓ Wellington  <i>file in</i>

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DS8/385

FM WASHDC NOV27/56 CONF

TO EXTERNAL 2155 IMPORTANT

REF YOUR TEL LL7 NOV26

KOREAN CLAIMS NEGOTIATIONS

THIS MORNING'S MEETING, WHICH HAD BEEN CALLED YESTERDAY, WAS PRESIDED OVER BY NES (OFFICER IN CHARGE OF KOREAN AFFAIRS) AND ATTENDED BY REPS OF THE OLD COMMONWEALTH, TURKEY AND THAILAND AS THOSE GOVTS STILL MAINTAINING FORCES IN KOREA.

2. NES BEGAN BY OUTLINING BRIEFLY THE COURSE OF THE KOREAN CLAIMS NEGOTIATIONS AND THEN DISTRIBUTED COPIES OF A PROPOSED INSTRUCTION TO GENERAL HARMONY, THE TEXT OF WHICH IS GIVEN IN OUR IMMEDIATELY FOLLOWING TEL.

3. NES SAID THAT ANY AGREEMENT REACHED ON THE BASIS OF THIS INSTRUCTION WOULD BE A USA-ROK AGREEMENT, WHICH WOULD NOT BE BINDING ON OTHER GOVTS BUT WHICH THE USA RECOGNIZED WOULD HAVE THE EFFECT OF SETTING A PRECEDENT FROM WHICH IT WOULD BE DIFFICULT TO DEPART. AS AGREEMENT WOULD INVOLVE PAYMENT OF ALL CLAIMS AGAINST THE UN COMMAND FROM OCT1/55 TO SIGNING OF THE SETTLEMENT AGREEMENT, AND WOULD THEREFORE INVOLVE CHARGES AGAINST OTHER GOVTS AS WELL AS THE USA, WE ASKED NES WHY THE AGREEMENT WAS DESCRIBED AS A USA-ROK AGREEMENT RATHER THAN A UNC-ROK AGREEMENT. HE UNDERTOOK TO OBTAIN CLARIFICATION OF THIS POINT.

4. ALTHOUGH OTHER REPS HAD NO FIRM INSTRUCTIONS ON THIS MATTER, BOTH THE UK AND NZ REPS SAID THEIR GOVTS WOULD PROBABLY QUESTION THE WISDOM OF NOT REPEAT NOT INCLUDING A WAIVER OF ALL REAL ESTATE CLAIMS AS PART OF THE AGREEMENT. AS WE ALSO RAISED THIS POINT, WHICH

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PAGE TWO 2155

IS MENTIONED IN PARA2(1) OF YOUR TEL UNDER REF, NES SAID THAT THE MATTER WOULD BE DISCUSSED FURTHER WITH THE DEPT OF DEFENCE WITH A VIEW TO SENDING A MSG TO CINCUNC INDICATING A PREFERENCE ON THE PART OF SOME GOVTS TO INCLUDE A WAIVER OF REAL ESTATE CLAIMS IN THE BODY OF THE AGREEMENT AND ASKING FOR HIS VIEWS AS TO HOW THE INCLUSION OF SUCH A CLAUSE WOULD AFFECT THE EARLY CONCLUSION OF AN AGREEMENT.

5. NES SAID THAT THE USA GOVT FAVOURED NO MENTION OF A WAIVER OF REAL ESTATE CLAIMS IN THE AGREEMENT ON THE GROUNDS THAT THIS MIGHT HOLD UP THE CONCLUSION OF AN AGREEMENT ON UTILITY CLAIMS. FOR POLITICAL REASONS THE USA GOVT WISHED TO CONCLUDE A SETTLEMENT OF UTILITY CLAIMS AS QUICKLY AS POSSIBLE AS FAILURE TO SETTLE THESE CLAIMS WAS INVOLVING A GOOD DEAL OF UNFAVOURABLE PUBLICITY FOR THE UN COMMAND IN KOREA. STATE DEPT THINKING WAS THAT, FOLLOWING THE CONCLUSION OF AN AGREEMENT ON UTILITY CLAIMS, THE UNC WOULD SIMPLY SIT TIGHT ON REAL ESTATE CLAIMS AND REFUSE SETTLEMENT, PROBABLY MAKING THIS ATTITUDE CLEAR IN A UNILATERAL STATEMENT. STATE DEPT FEELING IS THAT THE GENERAL PUBLIC IN KOREA IS NOT LIKELY TO BE GREATLY DISTURBED BY ANY REFUSAL TO MAKE PAYMENT ON THE REAL ESTATE CLAIMS.

6. THE STATE DEPT IS ANXIOUS TO GET A SETTLEMENT ON THE UTILITY CLAIMS PRIOR TO DEC15 WHEN GENERAL HARMONY LEAVES KOREA. ACHIEVEMENT OF A SETTLEMENT OF THE UTILITY CLAIMS WOULD IN THEIR VIEW BE WORTH ANY TACTICAL DISADVANTAGE INVOLVED IN EXCLUDING A WAIVER OF REAL ESTATE CLAIMS IN THE UTILITY SETTLEMENT.

7. WE LEFT WITH NES A MEMO SETTING FORTH THE POINTS CONTAINED IN PARA2 OF YOUR TEL UNDER REF. OUR IMPRESSION IS THAT THE DRAFT INSTRUCTION TO GENERAL HARMONY ACCORDS GENERALLY WITH THE POINTS YOU RAISED WITH THE EXCEPTION OF THE INCLUSION OF A REAL ESTATE CLAIMS WAIVER.

8. WE ASKED NES ABOUT THE POSSIBILITY OF ISSUING A TABULATION OF CLAIMS AND COUNTER-CLAIMS WHICH YOU UNDERSTOOD WAS BEING PREPARED BY THE UN COMMAND. NES SAID THAT, SINCE THE INTENTION WAS TO REACH AGREEMENT ON A WAIVER OF ALL CLAIMS PRIOR TO OCT1/55, A FULL

000916

PAGE THREE 2155

TABULATION HAD NOT BEEN REGARDED AS A USEFUL EXERCISE. FOR THE PERIOD SUBSEQUENT TO OCT1/55, THERE WERE VIRTUALLY NO UN CLAIMS AGAINST THE ROK GOVT TO OFFSET THE CLAIMS AGAINST THE UNC.

9. NES CONCLUDED BY INDICATING THAT THERE WOULD BE FURTHER CONSULTATION WITH REPS OF INTERESTED GOVTS AFTER THE QUESTION OF THE INCLUSION OF A REAL ESTATE CLAIM WAIVER IN THE AGREEMENT HAD BEEN FURTHER CONSIDERED BY THE USA AUTHORITIES AND BEFORE FINAL INSTRUCTIONS ARE SENT TO GENERAL HARMONY.

10. IF YOU HAVE FURTHER INSTRUCTIONS OR COMMENTS TO MAKE, WE SUGGEST THEY BE SENT FORWARD WITHOUT DELAY IN VIEW OF THE STATE DEPT'S DESIRE TO CONCLUDE A SETTLEMENT WITH THE ROK GOVT PRIOR TO DEC15.

11. NES INDICATED, INCIDENTALLY, THAT THE ROK CLAIMS AGAINST THE UNC FOR THE PERIOD OCT1/55, TO JUL1/56 (OF WHICH THE CANADIAN GOVT WOULD BE EXPECTED TO PAY PART IN ACCORDANCE WITH THE USUAL DIVISION OF COSTS) WAS BETWEEN \$2 MILLION AND \$3 MILLION FOR THE NINE-MONTH PERIOD

HEENEY

386

FM WASHDC NOV27/56 CONFD
TO EXTERNAL 2156 IMPORTANT
REF OUR TEL 2155

KOREAN CLAIMS NEGOTIATIONS

FOLLOWING IS TEXT OF PROPOSED INSTRUCTION TO GENERAL HARMONY ON THIS
SUBJECT WHICH WAS PASSED TO REIS ATTENDING THIS MORNING'S MEETING.

BEGINS:

CONCERNED USA AGENCIES AND UN GOVTS OPPOSED TO ANY NEGOTIATING
POSITION WHICH DIRECTLY OR INDIRECTLY INCLUDES REAL ESTATE CLAIMS OF
ANY NATURE. THIS POSITION BASED ON CONCERN THAT ACCEPTANCE OF EVEN COM-
PARATIVELY MINOR REAL ESTATE CLAIMS WOULD ESTABLISH PRINCIPLE OPEN-
ING DOOR TO WIDE SCALE NEGOTIATION OF GENERAL SUBJECT. FOR THIS REASON
"REAL ESTATE CLAIMS AND OFFSETS DIRECTLY INVOLVED IN OPERATION AND
USE OF UTILITIES" SHOULD NOT BE INCLUDED IN SETTLEMENT OF UTILITIES
CLAIMS. CONSISTENT WITH THIS POSITION IT SHOULD BE REITERATED TO ROK
THAT CONCERNED UN GOVTS WILL NOT ACCEPT OR CONSIDER REAL ESTATE CLAIMS
OF ANY NATURE.

WHILE THE LOGIC OF DEFERRING DISCUSSION OF ROK UTILITY CLAIMS AND
UNC OFFSETS FOR PERIOD OF CESSATION OF HOSTILITIES TO EFFECTIVE DATE
OF NEW ARRANGEMENTS IS RECOGNIZED, SUCH ACTION WOULD ONLY POSTPONE
FINAL RESOLUTION OF MATTER WHICH HAS ALREADY DRAGGED ON FOR SOME
TIME. IT IS NOT CONCEIVABLE THAT ROK WILL FOREGO ITS CLAIM FOR PERIOD
AFTER OCT1/55 IN VIEW OF LACK OF ANY UNC OFFSETS AND ACCORDINGLY
WE MAY AS WELL FACE UP TO IT NOW. TO SETTLE ALL PAST UTILITY CLAIMS
AND ESTABLISH A NORMAL PAY-AS-YOU-GO ARRANGEMENT FOR UTILITIES

...2

PAGE TWO 2156

FURNISHED IN FUTURE, THE FOLLOWING UNC POSITION SHOULD BE PRESENTED TO ROK.

A. ALL ROK UTILITY CLAIMS AND UNC OFFSETS FOR PERIOD JUN 1950 TO OCT1/55 (APPROX DATE OF WITHDRAWAL OF POWER BARGES) WILL BE WAIVED.

B. UNC WILL PAY FOR UTILITIES FURNISHED FROM OCT1/55 (EXCLUSIVE OF ANY REAL ESTATE CLAIMS AND OFFSETS INVOLVED IN OPERATION AND USE OF UTILITIES) TO SIGNING OF A SETTLEMENT AGREEMENT.

C. PAYMENTS FOR UTILITIES AFTER SETTLEMENT OF PAST CLAIMS WILL BE EFFECTED UNDER ARRANGEMENTS AGREED UPON WITH ROK.

3. DRAFT AGREEMENT INCLOSED WITH UNC LETTER OF OCT2/56 REVISED CONSISTENT WITH ABOVE AND WILL BE FURNISHED AS SOON AS POSSIBLE.

CINCUNC WILL BE AUTHORIZED TO SIGN AGREEMENT. ENDS

HEENEY

TRANSMITTAL SLIP

TO: CANADIAN EMBASSY,
..... TOKYO, Japan
FROM: The Under-Secretary of State for
..... External Affairs, OTTAWA.

The documents described below are for your information.

Despatching Authority..... W. MCKENZIE WOOD

Security..... **CONFIDENTIAL**
Date..... **November 27, 1956.**
Air or Surface..... **Air**
No. of enclosures..... **1**

210-7-13	
INDEXED By	FILED By
-	

Copies	Description	Also referred to:
1	Our telegram LL-7 of November 26, 1956 to The Canadian Embassy, WASHINGTON, D.C. Subject: KOREAN CLAIMS NEGOTIATIONS	London Carrerra Wellington



NO.	INIT.
AMBASSADOR	
NEWSON	
HARSTAD	
GORHAM	
SMITH	
KALANDE	
MISS CURRIE	

4 file.
27

INSTRUCTIONS

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Security **CONFIDENTIAL**

MESSAGE FORM
OUTGOING

File No. 50069-M-40	

FROM: THE SECRETARY OF STATE FOR EXTERNAL AFFAIRS, CANADA

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

Message To Be Sent		No. LL-7	Date November 26, 1956.	For Communications Section Only
AIR CYPHER		<u>REFERENCE:</u> YOURTEL #2082 of NOVEMBER 14, 1956.		
EN CLAIR				
CODE				
CYPHER				
Priority IMMEDIATE		<u>SUBJECT:</u> KOREAN CLAIMS NEGOTIATIONS.		
ORIGINATOR W. MCKENZIE WOOD (Signature) W. McKenzie Wood/eds (Name Typed) Div. Legal Local Tel. 2-2002		WE HAVE HAD SOME DIFFICULTY IN UNDERSTANDING THE SURPRISE EXPRESSED BY THE STATE DEPARTMENT AT OUR INTEREST IN THESE NEGOTIATIONS. THESE NEGOTIATIONS WILL AFFECT, NOT ONLY THE UNITED STATES BUT NATIONS INCLUDING CANADA WHICH HAVE OR HAD FORCES IN KOREA. THEIR OUTCOME WILL HAVE FINNICAL CONSEQUENCES FOR US AND IT IS ONLY NATURAL THAT WE SHOULD BE INTERESTED IN THE MATTER. MOREOVER SINCE THE SENIOR UNITED NATIONS' NEGOTIATOR BELIEVED THE LATEST KOREAN COUNTER PROPOSAL TO BE OF SUFFICIENT IMPORTANCE TO BE REFERRED TO WASHINGTON WE THOUGHT THAT THE STATE DEPARTMENT WOULD CONSULT AT LEAST WITH THE OLD COMMONWEALTH COUNTRIES BEFORE ISSUING ANY INSTRUCTIONS TO GENERAL HARMONY IF FOR NO OTHER REASON THAN THAT ONCE SUCH INSTRUCTIONS HAD BEEN ISSUED IT WOULD BE DIFFICULT TO AMEND THEM. WE ARE STILL HOPEFUL THEREFORE THAT BEFORE ANY NEW INSTRUCTIONS ARE SENT OUT THE STATE DEPARTMENT WILL CONSULT WITH US AND GIVE US THE OPPORTUNITY TO COMMENT. WE WOULD ALSO HOPE THAT THE TABULATION OF CLAIMS AND COUNTER-CLAIMS WHICH WE UNDERSTAND IS NOW BEING PREPARED BY THE		
APPROVED BY GILLES SICOTTE (Signature) G. Sicotte (Name Typed)				
Internal Distribution: S.S.E.A. - U.S.S.E.A. DL (1) Far East				
Done.....				
Date.....				
Copies Referred To: DM/Nat'l Defence DM/Finance Tokyo London Canberra Wellington				
Done.....				
Date.....				
Ext. 97 (Rev. 1/52)				

- 2 -

UNITED NATIONS COMMAND COULD BE APPRAISED BEFORE FINAL INSTRUCTIONS ARE SENT TO GENERAL HARMONY.

2. WE SHOULD BE GRATEFUL IF YOU WOULD BRING THE ABOVE VIEWS TO THE ATTENTION OF THE STATE DEPARTMENT ORALLY, AND ALSO PASS ON TO THEM, PERHAPS IN WRITING, THE FOLLOWING COMMENTS ON THE KOREAN COUNTER-PROPOSAL:

1) THE CANADIAN AUTHORITIES ARE PREPARED TO ACCEPT THE SUGGESTION IN SUB-PARAGRAPH (a) OF THE KOREAN COUNTER-PROPOSAL THAT NEGOTIATIONS FOR SETTLEMENT OF REAL ESTATE CLAIMS BE SEPARATED FROM THE NEGOTIATIONS FOR SETTLEMENT OF CLAIMS FOR UTILITY SERVICES ONLY IF THE KOREANS AGREE THAT REAL ESTATE CLAIMS SHOULD BE MUTUALLY WAIVED.

(11) THE CANADIAN AUTHORITIES ARE PREPARED TO ACCEPT THE DIVISION INTO PERIODS SUGGESTED BY THE KOREANS IN SUB-PARAGRAPH (b) OF THEIR COUNTER-PROPOSAL AND, THE PROPOSAL IN SUB-PARAGRAPH (c) FOR A MUTUAL WAIVER OF CLAIMS FOR THE PERIOD COVERED BY SUB-PARAGRAPH (b) (1) - THE PERIOD OF HOSTILITIES UP TO THE CEASE FIRE ORDER OF JULY 27, 1953.

(111) THE CANADIAN AUTHORITIES CONSIDER THAT THE UNITED NATIONS NEGOTIATORS SHOULD NOT ACCEPT THE KOREAN PROPOSAL FOR LATER NEGOTIATION OF CLAIMS FOR THE PERIOD COVERED IN SUB-PARAGRAPH (b) (2) OF MR. KIM'S LETTER, AND THAT THEY SHOULD MAINTAIN THEIR STAND THAT THE MUTUAL WAIVER BE EXTENDED TO CLAIMS ARISING IN THIS PERIOD. (THIS IS THE INITIAL POSITION YOU SHOULD TAKE WITH THE AMERICANS. IF HOWEVER THE STATE DEPARTMENT WANT TO KNOW OUR POSITION IN THE EVENT THAT THE KOREAN GOVERNMENT INSIST ON CLAIMS FOR THIS PERIOD BEING LEFT OPEN FOR DISCUSSION, YOU MAY SAY THAT WE WOULD BE PREPARED TO CONSIDER

..... 3

- 3 -

ACCEPTING THE KOREAN PROPOSAL, PROVIDED THAT (a) OTHER INTERESTED NATIONS, AND PARTICULARLY THE UNITED STATES, WERE ALSO PREPARED TO ACCEPT IT, AND (b) THAT THE UNITED NATIONS COMMAND CAN GIVE ASSURANCE THAT THE TOTAL OF POTENTIAL COUNTER-CLAIMS FOR UTILITIES SERVICES RENDERED BY THE UNIFIED COMMAND TO THE REPUBLIC OF KOREA IS SUCH THAT IT COULD PLACE THE UNITED NATIONS COMMAND IN A FAVOURABLE NEGOTIATING POSITION. IN OTHER WORDS, IF THE KOREAN GOVERNMENT WILL NOT AGREE TO EXTENSION OF THE MUTUAL WAIVER OF CLAIMS FOR THE PERIOD FROM THE DATE OF THE CEASE FIRE ORDER TO SEPTEMBER 22, 1955 WE WOULD, IF OTHER INTERESTED NATIONS ARE WILLING, BE PREPARED TO SEE A SETTLEMENT OF THESE CLAIMS NEGOTIATED AT A LATER DATE ON THE BASIS THAT CLAIM AND COUNTER-CLAIM COULD EITHER CANCEL EACH OTHER OUT, OR, AT THE MOST, WOULD RESULT IN A VERY SMALL PAYMENT BEING MADE TO THE REPUBLIC OF KOREA).

(iv) IF THE KOREAN GOVERNMENT WERE TO AGREE TO THE MUTUAL WAIVER BEING EXTENDED TO THE PERIOD COVERED IN SUB-PARAGRAPH (b) (2) OF THEIR COUNTER-PROPOSAL, THE CANADIAN AUTHORITIES WOULD AGREE TO THEIR PROPOSAL FOR FURTHER DISCUSSION OF CLAIMS AND ACCOUNTS ARISING DURING THE PERIOD COVERED IN SUB-PARAGRAPH (b) (3). IN THESE CIRCUMSTANCES, HOWEVER, THE CANADIAN AUTHORITIES WOULD BE INCLINED TO GO FURTHER AND TO SUGGEST THAT THE UNITED NATIONS NEGOTIATORS INDICATE A WILLINGNESS TO PAY ALL PROPERLY SUBSTANTIATED CLAIMS AND ACCOUNTS SUBMITTED BY THE KOREAN GOVERNMENT FOR THIS PERIOD, OR, IF THIS WERE NOT ACCEPTABLE TO OTHER INTERESTED NATIONS,

..... 3

- 4 -

TO INDICATE A WILLINGNESS TO PAY ALL SUCH CLAIMS AND ACCOUNTS FOR THE PERIOD FROM THE DATE ON WHICH THE PRESENT NEGOTIATIONS WERE STARTED BETWEEN GENERAL HAMELTON AND THE KOREAN GOVERNMENT, THAT IS, FROM DECEMBER 15, 1955, TO THE EFFECTIVE DATE OF THE NEW ARRANGEMENTS CONTEMPLATED IN SUB-PARAGRAPH (c) OF THE KOREAN COUNTER-PROPOSAL.

(v) IF THE KOREAN GOVERNMENT IS NOT PREPARED TO EXTEND THE MUTUAL WAIVER TO THE PERIOD FROM THE DATE OF THE CEASE FIRE ORDER TO SEPTEMBER 22, 1955, THE CANADIAN AUTHORITIES WOULD CONSIDER THAT A SETTLEMENT OF CLAIMS AND ACCOUNTS FOR THE PERIOD COVERED IN SUB-PARAGRAPH (b) (3) OF THE KOREAN COUNTER-PROPOSAL MIGHT BE NEGOTIATED ON THE SAME BASIS AS THAT WHICH THEY HAVE SUGGESTED ABOVE FOR THE FORMER PERIOD.

3. IF YOU CONSIDER THAT THERE IS SUFFICIENT TIME YOU MAY WISH TO CONSULT WITH THE AUSTRALIAN, NEW ZEALAND AND UNITED KINGDOM EMBASSIES BEFORE GIVING THE ABOVE COMMENTS TO THE STATE DEPARTMENT.

EXTERNAL

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

DATE REC'D
26 NOV 56
COMMUNICATIONS

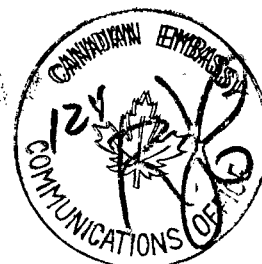
MELBOURNE

210-7-13	
INDEXED BY	FILED BY
- 231600K	

ROUTINE

CONFIDENTIAL

FROM DEFENCE MELBOURNE
TO BRITCOM JAPAN (REAR)
(CANMILMIS PSE PASS)
COS 125 CONFIDENTIAL



PERSONAL FOR BRIGADIER ALDERSON. FOR YOUR ADVANCE INFORMATION COMPONENT COUNTRIES HAVE AGREED THAT A UNITED KINGDOM REPRESENTATIVE SHOULD BE NOMINATED TO REPLACE YOU AS THE COMMONWEALTH REPRESENTATIVE ON THE KOREAN CLAIMS NEGOTIATING TEAM. UNITED KINGDOM HAS PROPOSED THAT MR. R.G. REAY AS THE DEPUTY COMMAND SECRETARY HONG KONG SHOULD BE APPOINTED AND WE UNDERSTAND HE MAY HAVE BEEN IN TOUCH WITH YOU INFORMALLY. Appointment of REAY SUBJECT TO FORMAL CONFIRMATION WHICH IS BEING SOUGHT.

Mr. Halstead
For your files

Mr. Newton m
file
J.H.

CANADIAN MILITARY
MISSION

NOV 26 1956

7-3

(FAR EAST)

CONFIDENTIAL

(1193/1/11/56)



November 23, 1956

WITH THE COMPLIMENTS

OF

~~XCHANCERY~~

D. O. Henley

Mr. J.G.H. Halstead,
Canadian Embassy,
Tokyo.

BRITISH EMBASSY,
TOKYO.

000927

CONFIDENTIAL

(1193/1/11/56)

BRITISH EMBASSY,

TOKYO.

November 23, 1956.

210-7-13	
INDEXED By	FILED By
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You will have seen a copy of John Halstead's letter to me of November 21 which reports the somewhat startling attitude of the State Department, in Washington, to the Korean claims negotiations.

2. We are passing on this information to London (and to our Embassy in Washington) for such action as they think necessary; and I imagine that Cunninghame and Austin will probably be informing their Governments too.

3. We agree with Halstead's view, in the last paragraph but one of his letter, that the apparent attitude of the State Department reinforces the need for our Governments to have the best estimates which United Nations Command can themselves provide of the claims and counter-claims to set against those which the Koreans have submitted. I hope therefore that you will be able to let us have some figures in the near future.

4. I expect we shall have a further opportunity of discussing the present position of these negotiations with you soon after you come up to Tokyo at the beginning of December. You will remember that Commonwealth Governments have expressed particular interest in the re-draft of the "Draft Agreement" on which they have extensively commented.

5. I am sending copies of this letter to Halstead, Cunninghame and Austin.

(D.O. Henley)

Brigadier B.H. Alderson, D.S.,
Financial Adviser,
B.C.F.K.,
Kure.

File 210-7-13
CONFIDENTIAL

Tokyo, November 21, 1956.

I have just received further information concerning the Korean claims negotiations which I think will be of interest. On November 14 one of the officers of the Canadian Embassy in Washington, accompanied by someone from the Australian Embassy, inquired of the State Department what the situation was with respect to consideration of General Harmony's submission on the Korean counterproposals. They were told that the State Department and the Pentagon were working on instructions to General Harmony, that both departments regarded the Korean counterproposals with favour, and that the instructions were therefore expected to be to negotiate on this basis.

The State Department were apparently surprised that we should be interested in this question, and said that they had not intended to call a meeting of the Sixteen in Washington. Because they had inquired however, our people were assured that the instructions would be shown to them before they were sent off. If we are to make any comments therefore, they will have to be forwarded very soon.

. . . 2

D. O. Henley, Esquire,
Counsellor, British Embassy,
Tokyo.
Brigadier B. Alderson,
Rear HQ, BCFK, c/o Australian Embassy, Tokyo
R. W. L. Austin, Esquire,
Second Secretary,
Australian Embassy, Tokyo
R. R. Cunninghame, Esquire,
New Zealand Legation, Tokyo.

000929

- 2 -

As I have mentioned before, the authorities concerned in Ottawa feel that, before they can comment intelligently on the Korean counterproposals, they must have before them a statement of claims and counterclaims prepared by the U.N. Command similar to the Korean tabulation. I understand preparation of this statement is already in train but I think Washington's intentions, as reported by our Embassy there, now make it urgent that it be completed just as soon as possible.

I am sending copies of this letter to Brigadier Alderson, Dick Austin and Rex Cunninghame.

J. G. W. Halstead,
First Secretary.

TRANSMITTAL SLIP

TO: Canadian Embassy,
Tokyo, Japan
FROM: Under-Secretary of State for External
Affairs, Ottawa

Security..... Confidential

Date. November 16, 1956

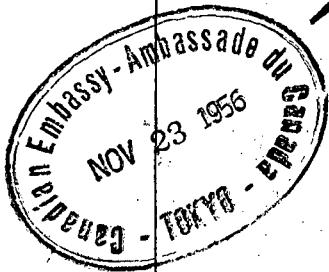
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No. of enclosures..... 1

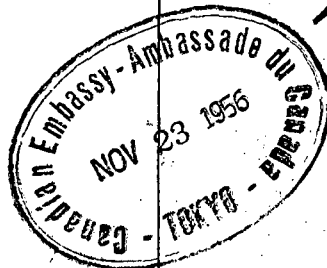
The documents described below are for your information.

Despatching Authority..... Legal Division /W.M. Wood

210-7-13	
INDEXED By	FILED By
✓	

Copies	Description	Also referred to:														
1	Telegram No. 2082 of November 14, 1956 from Canadian Embassy, Washington, re Korean Claims Negotiations  <i>Did this Does this Kugure action T.C.D Action is being taken by Mr. Halstead.</i>	<i>W is admin only Confidential</i> <table border="1"><tr><td>NO.</td><td>INIT.</td></tr><tr><td>2 AMBASSADOR NEWTON</td><td></td></tr><tr><td>1 HALSTEAD</td><td></td></tr><tr><td>3 GORHAM</td><td></td></tr><tr><td>SMITH</td><td></td></tr><tr><td>4 LALANDE</td><td></td></tr><tr><td>MISS CURRIE</td><td></td></tr></table> <i>file m</i>	NO.	INIT.	2 AMBASSADOR NEWTON		1 HALSTEAD		3 GORHAM		SMITH		4 LALANDE		MISS CURRIE	
NO.	INIT.															
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1 HALSTEAD																
3 GORHAM																
SMITH																
4 LALANDE																
MISS CURRIE																

000931



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DS3/356

FM WASHDC NOV14/56 CONF

TO EXTERNAL 2082

INFO LONDON

BAG TOKYO FM OTT

REF YOUR LET L1266 OCT23

KOREAN CLAIMS NEGOTIATIONS

NES(OFFICER IN CHARGE OF KOREAN AFFAIRS)TOLD US TODAY THAT STATE DEPT AND PENTAGON ARE PRESENTLY WORKING ON INSTRUCTIONS TO GENERAL HARMONY ON THIS SUBJECT. BOTH THE PENTAGON AND THE STATE DEPT LOOK FAVOURABLY UPON THE KOREAN COUNTER-PROPOSALS AND IT IS EXPECTED THAT GENERAL HARMONY WILL BE INSTRUCTED TO NEGOTIATE WITH THE KOREANS ON THE BASIS OF THIS COUNTER-PROPOSAL.

2. NES EXPRESSED SOME SURPRISE THAT WE SHOULD BE INTERESTED IN THIS QUESTION AND SAID THAT STATE DEPT HAD NOT INTENDED TO CALL A MEETING OF REPS OF THE SIXTEEN INTERESTED COUNTRIES IN WASHINGTON. IN THE LIGHT OF OUR ENQUIRY, HOWEVER, HE UNDERTOOK TO LET US SEE THE INSTRUCTION TO GENERAL HARMONY BEFORE IT IS SENT OFF. IN THE CIRCUMSTANCES WE WOULD SUGGEST THAT IF YOU HAVE COMMENTS YOU WISH TO MAKE ON THE KOREAN COUNTER-PROPOSAL, THESE BE SENT FORWARD IN THE NEAR FUTURE FOR TRANSMISSION TO THE STATE DEPT.

3. ROWLAND OF THE AUSTRALIAN EMBASSY WAS PRESENT AT THE INTERVIEW AND WILL ALSO BE GIVEN AN OPPORTUNITY TO SEE INSTRUCTIONS TO GENERAL HARMONY BEFORE THEY ARE SENT OFF.

HEENEY



DS3/356

FM WASHDC NOV14/56 CONF

TO EXTERNAL 2082

INFO LONDON

BAG TOKYO FM OTT

REF YOUR LET L1266 OCT23

KOREAN CLAIMS NEGOTIATIONS

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HEENEY

210-7-13	
INDEXED By	FILED By
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NO.	INIT.
3	AMBASSADOR
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	SMITH
2	WALANCE
	MISS CURRIE

TRANSMITTAL SLIP

TO:.....Canadian Embassy,.....
.....Tokyo, Japan.....
FROM: Under-Secretary of State for External
.....Affairs, Ottawa.....

Security.....Confidential.....

Date.....October 25, 1956.....

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

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

The documents described below are for your information.

Despatching Authority.....Legal Div./W.M.Dood.....

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INDEXED By	FILED By
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Copies

Description

Also referred to:

1

Copy of Letter dated October 25, 1956
to the Acting High Commissioner for
Australia, Ottawa.

Washington

Subject: Korean Claims Negotiations-
Commonwealth Representative
on U.N. Negotiating Team



NO.	INIT.
4	AMBASSADOR
	NEWTON
	HALSTEAD
3	GORHAM
	SMITH
	LALANDE
	MISS CURRIE

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CONFIDENTIAL

October 25, 1956

Dear Mr. Pyman:

I refer to your letter of October 17, 1956 in which you informed us that Brigadier Alderson, the Commonwealth representative on the United Nations team dealing with the Korean claims negotiations, would be required to return to Australia on completion of his BCFK tasks early in January 1957.

In these circumstances I am pleased to inform you that the Canadian authorities would be agreeable to the appointment of a new Commonwealth representative on the United Nations negotiating team and would have no objections if such a representative were provided by the United Kingdom.

Yours sincerely,

GILLES SICOTTE

Gilles Sicotte
Legal Division

T.A. Pyman, Esq.,
Acting High Commissioner for Australia,
100 Sparks Street,
Ottawa

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..... Legal Div./W.M. Wood


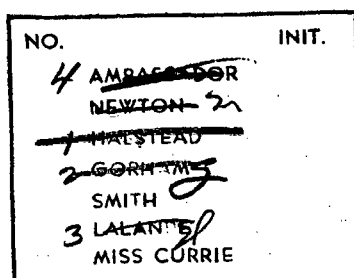
Security..... Confidential

Date..... October 23, 1956

Air or Surface..... Air

No. of enclosures..... 1

210-7-13	
INDEXED By	FILED By
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Copies	Description	Also referred to:
1	Letter No. <u>1-1266</u> of October 23, 1956 to Canadian Embassy, Washington, re Korean Claims Negotiations 	 000938

INSTRUCTIONS

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DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(DUPLICATE)

NUMBERED LETTER

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

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

Reference:..Tokyo Letter No.. 770 of Oct.. 17, 1956

Subject:..... Korean Claims Negotiations.....
.....
.....

Security: Confidential

No:..... L-1266

Date:..... October 23, 1956

Enclosures:..... -

Air or Surface Mail:..... Air

Post File No:.....

Ottawa File No.

50069-M-40

References

We attach a copy of Letter No. 770 of October 17, 1956 from the Canadian Embassy, Tokyo, regarding latest developments in the Korean claims negotiations.

2. You will note that General Harmony, the head of the United Nations negotiating team, has forwarded to Washington, with a favourable recommendation, a Korean counter-proposal, the most important feature of which is the suggestion that real estate claims should be excluded from the negotiations.

3. We should be grateful if you could ascertain informally whether the State Department and the Pentagon are considering the Korean counter-proposal at the present time, and if so what are their preliminary views on it. We should also be grateful to know whether the U.S. authorities intend to call a meeting of representatives of the sixteen interested countries in Washington and, if not, whether the Commonwealth countries concerned will be afforded an opportunity to comment on the counter-proposal before a reply is sent to the Koreans through General Harmony.

4. We have not yet expressed any official views on the Korean counter-proposals because we have been waiting to see a U.N. Command statement of claims and counter-claims which we could compare with the Korean tabulation.

5. For your information we are enclosing a copy of Letter No. 626 of August 15, 1956 from the Canadian Ambassador in Tokyo, together with its enclosures, which include a copy of the Korean counter-proposal discussed above.

J. S. NUTT for the

Under-Secretary of State
for External Affairs

Internal
Circulation

Distribution
to Posts

Tokyo

TRANSMITTAL SLIP

Confidential

TO:.....Canadian Embassy,.....

Security.....

.....Tokyo, Japan.....

Date..October.22.,.1956.....

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

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

.....Affairs.....

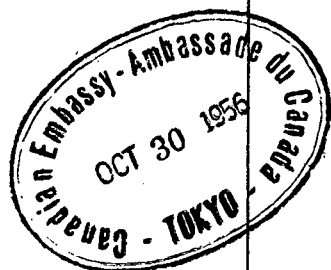
No. of enclosures.....1.....

The documents described below are for your information.

Despatching Authority.....Legal Div./W.M. Wood.....

210-7-13	
INDEXED By	FILED By
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Copies	Description	Also referred to:
1	Letter dated October 17, 1956 from the Australian High Commissioner's Office re Korean claims negotiations	



File 21

NO.	INIT.
4 AMBASSADOR	
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1 HALSTEAD	
3 GORN <i>MS</i>	
SMITH	
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MISS CURRIE	

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CONFIDENTIAL

Australian High Commissioner's Office,
Ottawa

No. 112/1/1

October 17, 1956

Dear Mr. Sicotte:

We have been advised by the Australian authorities that Brigadier Alderson, the Commonwealth representative on the United Nations team dealing with Korean Claims Negotiations, will be required to return to Australia on completion of his BCFK tasks early in January, 1957. By this time the small rear party of which he will be a member should have wound up outstanding BCFK matters following on the withdrawal of BCFK troops from Japan around 20th November, 1956.

However, claims negotiations may shortly be resumed in Korea and could well extend into the period after 20th November, when Brigadier Alderson would normally be concerned with rear party matters in Japan and it would be awkward for him to deal with claims negotiations. Moreover, these negotiations may continue beyond the time when Brigadier Alderson is transferred to Australia and it could be disadvantageous if the Commonwealth representative were changed before they are completed. The Australian authorities, therefore, believe that a successor should be named for Brigadier Alderson as soon as the Commonwealth member of the team before negotiations are resumed.

It is assumed that it will still be necessary for the Commonwealth representative to be provided from the Services. As Brigadier Alderson no longer receives instructions from the Commander BCFK but direct/Commonwealth Missions in Tokyo and as the only Commonwealth force in the Korean theatre after January, 1957, will be the Commonwealth contingent in Korea

/from

G. Sicotte, Esq.,
Legal Division,
Department of External Affairs,
306, Post Office,
Ottawa, Ontario

-2-

the Australian authorities believe that the United Kingdom which is responsible for the non-operational and administrative control of the contingent would be in the best position to nominate a replacement for him.

It would be appreciated if you could provide us with early advice as to whether the Canadian Government would be agreeable to the appointment of a new Commonwealth representative who the Australian authorities suggest might be provided by the United Kingdom if the latter is agreeable.

Yours sincerely,

(Signed) J.L. Lavett

for Counsellor

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
Your Letter L-544 of September 26
Reference: Korean Claims Negotiations
Subject:

CONFIDENTIAL

Security:
No: 770
Date: October 17, 1956
Enclosures:
Air or Surface Mail: Air
Post File No: 210-7-13

Ottawa File No. 210-7-13	
INDEXED By	FILED By
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References

Yesterday we had a further meeting among the Commonwealth missions concerned, partly to hear from Mr. Douglas Henley, Financial Counsellor at the British Embassy, about a talk he had with General Harmony while on a visit to Korea recently.

2. General Harmony confirmed that he had in fact submitted the Korean counterproposal, with his own favourable recommendation, to U. N. Command which had recently forwarded it via Far East Command to Washington, where it was presumably under active consideration by the Pentagon at present. In discussing the background, General Harmony explained that, in his view, it had been a mistake ever to introduce into the negotiations with the Koreans the politically charged subject of real estate, and that it was for this reason that he had subsequently proposed, and U. N. Command had agreed, that real estate should be excluded except that real estate which was intimately connected with utilities services (on which the U. N. side might have considerable claims). Exclusion of real estate in this way might have meant either that the question of such claims would be deferred for future negotiation or that such claims would be written off altogether. In fact, however, the Koreans themselves, according to General Harmony, assumed that the latter was the case. General Harmony emphasized that it was high time a solution of this problem should be reached, both because of the innumerable man hours that have been expended on the negotiations and because of the loss which the Korean economy is suffering as a result of the continued delay in a settlement and the consequent lack of payment for the utilities services currently being supplied to the U. N. Forces. In practice this lack is of course being made good by United States aid to South Korea, but it may not be long before the American authorities realize that they are taking money out of one pocket and putting it into the other in this way. Moreover both General Harmony and his deputy are scheduled to leave Korea very soon (in a matter of a month or so) and when they are gone there will be no one on the spot who will really know anything about this complicated subject.

Internal
Circulation

Distribution
to Posts

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3. We made the point to our Commonwealth colleagues that, before the Departments concerned in Ottawa (and presumably the authorities in the other countries concerned as well) could make any reply to the Korean counterproposal, they would have to have before them a statement of claims and counterclaims prepared by the U. N. Command similar to the Korean tabulation. This is not a new point of course. Brigadier Alderson, the Commonwealth representative on the U.N.C. Negotiating Team, has been asked for such figures on several occasions and has repeatedly assured us that they are working on such a statement. We nevertheless emphasized on this occasion that, with the possibility of discussion among the Sixteen in Washington imminent, it was important that this work should be completed without delay, and it was agreed that we should press Brigadier Alderson on this matter once more. Presumably when we have the U.N.C. figures, we will be able to calculate on a pro rata basis the shares attributable to the Commonwealth countries collectively and individually.

4. In the meantime there is nothing much further we can do in Tokyo, as far as we can see. It seems to us that the next steps will be:

(a) the Pentagon and the State Department will have to sort out their views on the Korean counterproposal and General Harmony's recommendations;

(b) they will then place some sort of proposal before the Sixteen in Washington, with or without prior consultation with the Commonwealth countries concerned; if the proposal is approved appropriate instructions will be sent to General Harmony or, more likely, his successor, and if not, the Americans may quite likely decide to make their own settlement.

5. Perhaps we should say at this point, in order to clear up any possible misunderstanding there may be in Ottawa, that the discussions on the Korean counterproposal that we have so far participated in in Tokyo have been only exploratory and without any commitment whatsoever. They have been within the Commonwealth only and have been for the main purpose of co-ordinating Commonwealth views and keeping in as close touch as possible with the negotiations actually going on in Korea. There has been no question of any wider discussions in Tokyo among the other countries concerned and, as we see it, such discussions could appropriately be held only in Washington, where the political decisions on the American side at least will have to be made.

J. G. H. HALSTEAD

The Embassy.



INDEXED By	FILED By
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BRITISH EMBASSY,
TOKYO.

(1193/1/99/56)

October 11, 1956.

Dear Sir,

Thank you for your letter of October 5 about the press report from Seoul on the Korean claims negotiations.

2. I think this report must be inaccurate. We have written to Seoul to confirm this. Meanwhile, we have heard nothing officially about the negotiations since the developments referred to in our letter 1193/1/81/56 of August 27. I was in Korea myself for a few days recently and saw General Harmony, but he told me nothing to suggest that the United Nations Command had made any such agreement in principle as the report suggests. It would, of course, be a clear breach of the "Agreed Directive" if they had. General Harmony told me that the United Nations Command has, in fact, now forwarded the Korean counter-proposals to Washington for further discussion there. I should be very glad to give you and our other Commonwealth colleagues a brief resumé of my discussion with General Harmony and, if you and they could spare the time to come round at 11 o'clock on the morning of Tuesday, October 16,

/I

Mr. J.G.H. Halstead,
Canadian Embassy,
Tokyo.

000947

I should be very glad to have a brief and quite informal discussion of where we stand on this difficult and uninspiring subject.

3. I am sending copies of this letter to Rex Cunninghame and Dick Austin.

Yours sincerely
D. O. Henley

(D. O. Henley).

210-7-13

Tokyo, October 5, 1956

I have just read a press report from Seoul, dated October 2, that, according to the Korean Ministry of Commerce and Industry, Korea and the United States have agreed in principle on payment by the U. N. Command for power and water as well as transportation and communications facilities and that payment of land rents will be discussed separately. It is further reported that Korean and American officials will continue discussion concerning the method and date of this payment as soon as the U. N. Command has received instructions from Washington.

I should be grateful to know if you have any further information on this report and in particular if you can confirm whether General Harmony has in fact referred the Korean counterproposal to Washington for discussion by the Committee of Sixteen.

I am sending copies of this letter to Dick Austen and Rex Cunningham.

Yours sincerely,

J. G. H. HALSTEAD

J. G. H. Halstead.

D. O. Henley, Esquire,
Counsellor (Financial),
British Embassy,
Tokyo.

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

DATE RECEIVED
28 SEP 56
COMMUNICATIONS

OTTAWA

260855P

Mr. Halstead
CONFIDENTIAL

210-7-13

FM EXTERNAL OTTAWA SEP26/56 CONF

TO DOMCAN TOKYO L131

YOUR LET660 AUG29

KOREAN CLAIMS NEGOTIATIONS



DEPT OF FINANCE ARE DISTURBED AT LARGE ROK
FAVOURABLE BALANCE IN TABLE ATTACHED TO YOUR
LET UNDER REF. THEY SUGGEST THAT BEFORE MAKING
ANY REPLY TO THE LATEST ROK COUNTER PROPOSAL,
THE UNC SHOULD PREPARE A STATEMENT SIMILAR TO
THE ROK'S SHOWING ITS TABULATION OF CLAIMS AND
COUNTER CLAIMS. MEANWHILE THEY SUGGEST THAT
YOU DO NOT TAKE ACTION ON INSTRUCTIONS IN OUR LET
L498 SEP4 AS THE CANADIAN POSITION MAY HAVE TO
BE RECONSIDERED IN THE LIGHT OF UNC TABULATION.

① *Mr. Halstead*
2. LETTER CONTAINING FINANCES VIEWS IN MORE
DETAIL IS GOING FORWARD IN NEXT AIR BAG

NO.	INIT.
AMBASSADOR	
NEWTON	
HALSTEAD	
GORHAM	
SMITH	
1 LALANDE	
MISS CURRIE	

Mr. Halstead
A last minute telephone call came in from the British Emb. on Oct. 2 p.m. Creehill suggests that we wait for Henley's Korea before holding a meeting.
File
27
please file
gl

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA

NUMBERED LETTER

210-7-13
INDEXED By *n.g.* FILED By

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

Security: Confidential.....

No: L-544.....

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

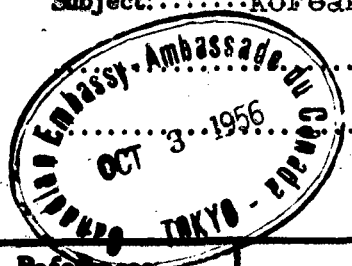
Date: September 26, 1956.....

Enclosures: 1.....

Air or Surface Mail: Air.....

Post File No:.....

Ottawa File No.
50069-M-40



Reference:

Reference: Your Letter No. 660 of Aug. 29, 1956.

Subject: Korean Claims Negotiations.....

I am attaching a copy of a letter dated September 17, 1956 from the Department of Finance, commenting on the enclosures to your letter under reference.

2. You will note that the Department of Finance have suggested that before making a reply to the latest ROK counter-proposal, the UNC should prepare a statement similar to the ROK's showing its tabulation of claims and counter-claims. Meanwhile they suggest that you should adopt a cautious attitude and delay acting on the instructions attached to our letter No. L-498 of September 4, 1956.

3. Incidentally, we note your intimation that this matter may be discussed in Washington. Please let us know if the consultative talks are moved from Tokyo to Washington so that we may keep our Embassy there informed.

Internal Circulation

Distribution to Posts

W. L. Smith
for the
Under-Secretary of State
for External Affairs

NO. INIT.
4 AMBASSADOR
NEWTON *nm*
~~1 HALSTEAD~~
3 GORHAM *g*
SMITH
2 LALANDE *(action)*
MISS CURRIE

Action taken
J.H.

file - nm

C O P Y

CONFIDENTIAL

DEPARTMENT OF FINANCE

CANADA

Ottawa, September 17, 1956

The Under-Secretary of State
for External Affairs,
East Block,
Ottawa, Ontario

Attention: Mr. G. Sicotte

Dear Sir:

I wish to refer to letter No. 660 of August 29, 1956, from our Embassy in Tokyo to which was attached a table prepared by the ROK showing the ROK claims and UNC counter-claims with respect to real estate and public utilities.

The table shows a balance of \$337,210,031 in favour of the ROK with respect to all post-hostility claims. Most of the favourable balance is accounted for by real estate claims. If these are excluded, the adjusted claims and counter-claims for utility services still leave a balance in favour of the ROK of approximately \$11 million.

The negotiations with the ROK have proceeded on the assumption that the claims of the ROK and the counter-claims of the UNC would just about cancel each other out. If the statement prepared by the ROK reflects anything close to the true state of affairs, it is clear that the assumption is incorrect and that, while the claims and counter-claims are not the only factors to be taken into consideration in arriving at a settlement, the Koreans might be in a stronger bargaining position than we thought.

In view of this development, we think that before making any reply to the latest ROK counter-proposal, the UNC should prepare a statement similar to the ROK's showing its tabulation of claims and counter-claims. Only after we have received such a tabulation, would we be able to take a position with respect to the Korean proposals.

The instructions which have been sent to Tokyo on this question are probably sufficiently qualified to protect our position. However, we think that our attitude should be one of extreme caution, and until we have received a tabulation from UNC, the instructions should not be acted upon as they may have to be reconsidered.

Yours very truly,

(Signed) A.F.W. Plumptre,
Assistant Deputy Minister

G. Lalande/ms

CONFIDENTIAL

September 20, 1956

NOTE FOR FILE: 210-7-13

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Korean Claims Negotiations

At a meeting of representatives of Commonwealth missions concerned with Korean Claims Negotiations which was held on September 18, 1956, at the British Embassy, the following points were made:

- (1) Brigadier Alderson reported that he has heard nothing more from Colonel Riley on the Draft Agreement;
- (2) Douglas Henley of the British Embassy referred to a telegram he received from London, covering a point reportedly raised by the South African government concerning the necessity of consultations with governments not included in the Sixteen before concluding an agreement on their behalf with the Koreans. London, we were told, has confirmed the opinion that the Sixteen must consult these other governments before reaching any agreement with the Koreans;
- (3) A quick reference was also made by Douglas Henley to two further comments made by the Australians on the Draft Agreement concerning a straightforward suggestion for clarification in Article 2 and an inquiry regarding some Australian commitments.

Gills Lalande
(G. Lalande)

210-7-13	
INDEXED By	FILED By
-	AM

September 19, 1956.

MEMORANDUM FOR J.G. HALSTEAD (through J. Lalande)

Re Status of Forces Agreement

This question was discussed this morning at a meeting between the British Ambassador, the Australian Ambassador, the New Zealand Minister, and myself, and we all pretty well agreed that this Agreement would terminate when the B.C.F.K. was wound up and all military forces associated therewith were removed from Japan. I understood that this had been discussed informally with the American Ambassador and he agreed with this contention. We learned, however, that Admiral Scott-Moncrieff, Commander-in-Chief Far East, Royal Navy, during a recent call upon General Lemnitzer, discussed this question of the termination of the Agreement, and Lemnitzer indicated that he did not agree with this construction. He pointed out that so far as the navy was concerned, units of the Australian, New Zealand and possibly the Royal Navy could still be summonsed for association with the U.S. Navy in Japan and that so long as this situation prevailed, the Agreement should continue in effect.

2. It was agreed by the British, Australian and New Zealand that hereafter, should units of the navy of these countries come to Japan, they should come as "on official visits" in the same way as the last visit of units of the Canadian navy to Japan and that in the event of difficulties consequent upon actions by any naval personnel, protection should not be sought under this Agreement. It was finally decided that we should suggest to our respective governments that this issue be settled in Washington in order that the Pentagon and the State Department might reach common agreement.

3. I think it would be well if there was

...2

- 2 -

further discussion of this matter on a working level here in Tokyo so that an agreement might be reached as to the terms of communication to be sent by the four Embassies to their Foreign Offices.

T. C. DAVIS

Ambassador

210-7-13	
INDEXED By	FILED By
CONFIDENTIAL	

September 17, 1956

*please file
gl*

MEMORANDUM FOR MR. LALANDE

Subject: Korean Claims Negotiations

I have read Ottawa's Letter L-498 of September 4 forwarding the views of National Defence on the Korean counterproposal. I think these views should be useful in any future discussions that may be held with the other Commonwealth missions here in spite of the fact that they were formulated before Ottawa had seen our Letter No. 660 of August 29.

2. Basil Greenhill has in fact informed me that there will be a meeting in Douglas Henley's office at the British Embassy next Tuesday, September 18, at 3.00 p.m. I would suggest you attend and use National Defence's letter as guidance, ~~and~~ bearing in mind particularly the last sentence of para. 4.

3. With respect to reference of the Korean counterproposal to Unified Command in Washington and discussion among the sixteen ^{here} there, I do not think we need take any further initiative. When General Harmony has submitted it to Washington and the Unified Command consults the sixteen, our Embassy in Washington will presumably ask Ottawa for guidance. At that point Ottawa's views, with such comments as we are able to give them, will presumably be sent to Washington.

J.H.
J. G. H. Halstead



Mr. Lalonde
of file J.H.

7/22/10/18

TOKYO.

7 September, 1956

*With the Compliments
of the
Australian Embassy.*

J. G. H. Halstead, Esq.,
First Secretary,
Canadian Embassy,
TOKYO.

000957

AUSTRALIAN EMBASSY
IN JAPAN

7/22/10/18

7 September, 1956

210 1-13	
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Korean Claims

We have now received advice from the Department of External Affairs that the Department of the Treasury agrees generally with the comments made by the United Kingdom Foreign Office, which you passed on to us as annexure "B" to your letter 1193/1/47/56 of 28th June, 1956.

Apparently, Treasury made the following comments also:

"A minor point not already covered concerns the term 'common use items' referred to in Article II. In the re-draft this should be clarified. Also Treasury would appreciate definite information regarding Australian commitments, if any, under existing written contracts for utility services as referred to in Article IV(I).

As the United States has indicated, a number of amendments will be made to this draft, therefore comment at this stage - other than as offered above - is not considered necessary. No doubt the new draft will be received in the near future."

Perhaps we could discuss how best to pass this comment on to the American authorities when next we meet.

I am sending copies of this letter to John Halstead and Rex Cunningham.

B. Greenhill, Esq.,
First Secretary,
British Embassy,
T O K Y O.

000958

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO:.....CANADIAN EMBASSY,
.....TOKYO, JAPAN

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

Reference: Your letter No. 626 of Aug. 15, 1956...

Subject:.....Korean Claims Negotiations.....

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

No:.....L- 498

Date:.....September 4, 1956.....

Enclosures:.....1.....

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

Post File No:.....

Ottawa File No.	
50069-M-40	

210-7-13	
INDEXED By	FILED By
7.2	1

References

DM/ND
DM/FIN



*returned w.
file
gh*

The Department of National Defence have considered the questions raised in your letter under reference and their views thereon are reported in the attached letter dated August 29, received from their Deputy Minister. The views expressed therein are shared by Finance and this Department and will, I hope, provide you with sufficient guidance for discussing the matter further with the other Commonwealth missions in Tokyo.

W. L. Smith
for Mr.

Under-Secretary of State
for External Affairs

Internal
Circulation

Far Eastern
Div.
D.L.(1) Div.
Mr. Wood

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to Posts

NO.	INIT.
AMBASSADOR	
3 NEWTON <i>mn</i>	
2 HALSTEAD	
GORHAM	
SMITH	
1 LALANDE <i>(action)</i>	
MISS CURRIE	

*I attended a meeting
at the British Emb. on
Sept. 18/56 dealing with
this subject and prepared
a note for file
on points discussed.*

*file
mn*

C O P Y

OFFICE OF THE DEPUTY MINISTER

OTTAWA

August 29, 1956

Under-Secretary of State for
External Affairs,
East Block,
Ottawa, Ontario

Attention: Mr. G. Sicotte

Korean Claims Negotiations

I wish to refer to letter No. 626 of August 15, 1956 from the Canadian Embassy at Tokyo, and particularly to the enclosed copy of a letter of August 7, 1956 from Mr. Kim, Hyun Chul, Korean Minister of Reconstruction to Major-General Harmony of the United Nations Command making the Korean Government's counter-proposals for the negotiation of a settlement of claims and accounts for utilities services.

2. This Department can, as we have said previously in our letter of July 11, 1956, accept the separation of negotiations for a settlement of real estate claims from negotiations for a settlement of claims for utilities services. We can, therefore, agree to sub-paragraph (a) of the Korean counter-proposal, but consider that in agreeing to the later negotiation of a settlement of real estate claims the United Nations negotiators should make it clear to the Koreans that the only basis of settlement of these claims acceptable to the United Nations side is that of a mutual waiver.

3. We can also accept the division into periods suggested by the Koreans in sub-paragraph (b) of their counter-proposal and, of course, their proposal in sub-paragraph (c) for a mutual waiver of claims for the period covered by sub-paragraph (b)(1) - the period of hostilities up to the Cease-Fire Order of July 27, 1953.

4. We consider that the United Nations negotiators should not accept the Korean proposal for later negotiation of claims for the period covered in sub-paragraph (b)(2) of Mr. Kim's letter, and that they should maintain their stand that the mutual waiver be extended to claims arising in this period. If, however, the Korean Government insist on claims for this period being left open for discussion, we would be prepared to consider accepting their proposal, provided that (a) other interested nations, and particularly the United States, were also prepared to accept it, and (b) that the United Nations Command can give assurance that the total of potential counter-claims for utilities services rendered by the Unified Command to the Republic of Korea is such that it would place the United Nations Command in a favourable negotiating position. In other words, if the Korean Government will not agree to extension of the mutual waiver of claims for the period from the date of the Cease-Fire Order to September 22, 1955, we would, if other interested nations are willing, be prepared to see a settlement of these claims negotiated at a later date on the basis that claim and counter-claim would either cancel each other out, or, at the most, would result in a very small payment being made to the Republic of Korea. However, we

-2-

do not consider that you should, at this time, take any initiative which would indicate that we are prepared to see such a settlement negotiated.

5. If the Korean Government were to agree to the mutual waiver being extended to the period covered in sub-paragraph (b) (2) of their counter-proposal, we could certainly agree to their proposal for further discussion of claims and accounts arising during the period covered in sub-paragraph (b)(3). We would, however, in these circumstances be inclined to go further and to suggest that the United Nations negotiators indicate a willingness to pay all properly substantiated claims and accounts submitted by the Korean Government for this period, or, if this were not acceptable to other interested nations, to indicate a willingness to pay all such claims and accounts for the period from the date on which the present negotiations were started between General Harmony and the Korean Government, that is, from December 15, 1955, to the effective date of the new arrangements contemplated in sub-paragraph (e) of the Korean counter-proposal.

6. If the Korean Government is not prepared to extend the mutual waiver to the period from the date of the Cease-Fire Order to September 22, 1955, we would consider that a settlement of claims and accounts for the period covered in sub-paragraph (b) (3) of the Korean counter-proposal might be negotiated on the same basis as that which we have suggested above for the former period.

I am sending a copy of this letter to the Deputy Minister, Department of Finance.

(Signed) . . .

for (F.R. Miller)
Deputy Minister

210-7-13

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✓	17-1

Headquarters,
British Commonwealth Forces Korea
British Army Post Office No 5.

KB 8153 Q1(c)

Sep 56

please file
gk

The Australian Embassy
TOKYO

Subject :- DISPOSAL OF BRITCOM WORKSHOPS AND LAUNDRY

Ref :- Your letter of 18 Apr 56 and enclosed Note Verbal.
Tele conversation Mr ECKERSLEY - Major CROSBY.

1. As you are aware the sale of plant as going concerns in the above named units has been the subject of considerable negotiation during the past few weeks. These negotiations are now complete and contracts have been signed as follows :-

Britcom Engineer Workshops	}	Sold together to the Hiroshima Prefectural Government for sum of ¥ 10,000,000
Britcom REME Workshops		

Britcom Base Laundry	Sold to Hiroshima Prefectural Government for sum of ¥ 2,000,000
----------------------	--

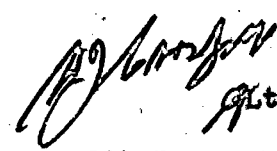
A clause in this contract makes the
Prefectural Government responsible
to arrange a laundry service for BCFK.

2. Enclosed herewith are two signals received from Defence Melbourne, COS 98 and COS 100.

3. Before the receipt of COS 98 the Hiroshima Prefectural Government had already approached HQ BCFK and were pressing for negotiations to be finalized on the basis of a bid for ¥ 6,000,000 for the two Workshops and a bid for ¥ 1,300,000 for the Laundry.

4. This was reported to Defence Melbourne in a signal which crossed in transit COS 98 and resulted in COS 100.

5. After further protracted negotiations all sales have been concluded just in sufficient time to avoid involving BCFK in expense due to extension of labour notices which at one time appeared likely.



Lt Col
AQIG
British Commonwealth Forces Korea

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

CONFIDENTIAL

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

FROM: The Canadian Embassy,
Tokyo, Japan

Reference: Your letter No. 626 of August 15, 1956
Korean Claims Negotiations

Subject:

Security:

No: 660

August 29, 1956

Date:

Enclosures: 3

Air

Air or Surface Mail:

210-7-13

Post File No:

Ottawa File No.
50069-M-40

210-7-13	
INDEXED By	FILED By
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References

Attached is a copy of a self-explanatory letter dated August 27, 1956 from the British Embassy in Tokyo, putting on record the conclusions of a meeting which was held by Commonwealth representatives with Brigadier Alderson on August 23, concerning Korean claims. Appended also for your information are copies of the following documents which were circulated at this meeting by Brigadier Alderson:

- (a) General Harmony's covering letter to Brigadier Alderson, dated August 9, commenting on ROK counter proposal of August 7, 1956;
- (b) ROK computed tables of claims as of April 30, 1956 and counter claims figures, together with a comparison between ROK claims and counter claims for the period extending from July 1, 1950 to September 30, 1955.

2. We should be grateful for any views you may wish to let us have for our own information with regard to what the Canadian position is likely to be when the matter comes under consideration in Washington.

Internal
Circulation

T. F. M. NEWTON
The Embassy

Distribution
to Posts

From : Major R. A. StC. MACMILLAN. The Black Watch.



210 - 7 - 13	
INDEXED By	FILED By



HQ BRITCOM Sub Area TOKYO.
British Army Post Office No 5.

(DO-8) 847/1/35

23 Aug 56

Dear *Lalande*

As promised I attach a table of ROK claim figures and the ROK idea of UN offsets.

Yours, sincerely

RAC Macmillan

Gilles Lalande Esq.,
Canadian Embassy,
TOKYO

*3 copies referred to Ottawa
under covering letter dated
Aug. 24/56
please file
gl*

210-7-13

C O P Y

ROK CLAIMS

Table I

As of 30 April 1956

UNIT: 1 H^W and \$

Services	Hostility period (1 July 50 - 27 July 53)		Post Hostility period (28 July 53 - 30 Sept 55)		After US power barge left (1 Oct 55 - 30 Apr 56)		Total	
	H ^W	\$	H ^W	\$	H ^W	\$	H ^W	\$
Real Estate (Land, Bldgs. & Materials)	12,802,890,970	311,789,067	48,257,397,555	325,153,561	13,200,955,446	24,401,903	74,261,243,971	661,344,531
Public Utility	1,038,588,388	20,104,296	3,171,970,210	20,134,966	828,095,345	1,656,191	5,038,653,943	41,895,452
Electricity	592,764,560	11,313,528	1,702,212,600	11,549,495	424,904,000	849,808	2,719,881,160	23,712,831
Communications	199,001,595	3,628,714	560,914,567	3,533,576	203,279,964	406,643	963,196,125	7,568,933
Water	16,785,844	461,315	11,166,173	78,029	213,840	428	28,165,857	539,772
KNR Supplied Water & Electricity	1,847,140,387	35,507,853	5,446,263,550	35,296,066	1,456,493,149	2,913,070	8,749,897,085	73,716,988
Utility Sub-Total	14,650,031,357	347,296,920	53,703,661,105	360,449,627	14,657,448,595	27,314,973	83,011,141,056	735,061,519
GRAND TOTAL								

ESTIMATED UNC CLAIMS (COUNTER CLAIMS)

1 July 1950 - 30 Sept 1955

Table II

Services	Hostility period 7/1/1950 - 7/27/1953		Post-hostility period 7/28/1953 - 9/30/1955		After US Power Barge left 10/1/1955 - 4/30/1956		Total	
	HW	\$	HW	\$			HW	\$
1/ Electricity	625,600,648	2,604,769	1,046,858,386	6,097,501	-	-	1,672,459,034	8,702,270
Water	30,416,050	60,832	22,229,630	44,459	-	-	52,645,680	105,291
2/ Transportation	4,140,697,364	74,861,666	5,307,644,878	44,412,609	-	-	9,448,342,242	119,274,275
TOTAL	4,796,714,062	77,527,267	6,376,732,894	50,554,569	-	-	11,173,446,956	128,081,836

- 1/ The last US power barge left Korea on 22nd September 1955. However, in accordance with an agreement between the US Government and the ROK, since 1 July 1955 the costs of Barge operation were defrayed from ICA funds. The actual amount from 1 July to 22 September 1955 was HW 151,980,408 or \$ 765,000.
- 2/ KNR railway charges to UNC were actually lower than cost as UNC supplied materials were taken into consideration. The calculated price redemption amounts to HW 5,122,647,397 or \$ 60,470,870 (HW 2,189,175,358 or \$ 37,180,775 for hostility period and HW 2,933,472,039 or \$ 21,122,513 for post-hostility period) for the period from the beginning of the war through 31st May 1955. Therefore, UNC supplies to KNR could be valued at HW 4,325,694,845 or \$ 58,803,404.
- 3/ Several prevalent exchange rates were applied in computation.

COMPARISON BETWEEN ROK CLAIMS & COUNTER CLAIMS

Table III

1 July 1950 - 30 September 1955

Services	Hostility period 7/1/1950 - 7/27/1953	Post-hostility period 7/28/1953 - 9/30/1955	After US power barge left 10/1/1955 - 4/30/1956	Total
1/ ROK Claims	14,650,031,357 347,296,920	53,703,661,105 360,449,627	14,657,448,595 27,314,973	83,011,141,056 735,061,519
UNC Claims	-4,796,714,062 -77,527,267	-6,376,732,894 -50,554,569	- -	-11,173,446,956 -128,081,836
Balance	9,853,317,295 269,769,653	47,326,928,211 309,895,058	14,657,448,595 27,314,973	71,837,694,100 606,979,683
2/ ROK Claims for utility services only.	1,847,140,387 35,507,853	5,446,263,550 35,296,066	1,456,493,149 2,913,070	8,749,897,085 73,716,988
UNCL Claims	-4,796,714,062 -77,527,267	-6,376,732,894 -50,554,569	- -	-11,173,446,956 -128,081,836
Balance	-2,949,573,675 -42,019,414	-930,469,344 -15,258,503	1,456,493,149 2,913,070	-2,423,549,871 -54,364,848
3/ ROK Claims for utility services	1,847,140,387 35,507,853	5,446,263,550 35,296,066	1,456,493,149 2,913,070	8,749,897,085 73,716,988
UNC Claims adjusted amount	-2,607,538,704 -40,346,492	-3,443,260,855 -27,264,474	- -	-6,050,799,559 -67,610,965
Balance	-760,398,317 -4,838,639	-2,003,002,695 -8,031,592	1,456,493,149 2,913,070	2,699,097,526 6,106,023

1/ Assumed to include real estate and public utilities.

2/ Assumed to exclude real estate.

3/ Assumed adjusted railway charges as pointed out on Table II. However, US Power Barge Operation costs since 1 July 1955 which amounts to \$765,000 is not included in consideration of reimbursement out of ICA funds.



(1193/1/81/56)

August 27, 1956.

CONFIDENTIAL

WITH THE COMPLIMENTS
OF
CHANCERY



G. Lalande, Esq.,
Canadian Embassy,
TOKYO.

BRITISH EMBASSY,
TOKYO.

Please file

000968

210-7-13	
INDEXED By	FILED By
✓	

British Embassy,
Tokyo.

August 27, 1956.

(1193/1/81/56)

CONFIDENTIAL

I am writing to record the conclusions of our discussion about Korean claims in the British Embassy on August 23. There were present, in addition to Major Macmillan and yourself, Messrs. Austin, Cunningham, Lalonde, Greenhill, Gifford and me.

2. We had before us copies of the Korean Minister of Reconstruction's letter of August 7 to General Harmony giving the latest Korean proposals on the principles which should govern the claims settlement; and you circulated copies of Major-General Harmony's covering letter to you of August 9 in which he said inter alia:

- (a) that in his opinion the Korean counter-proposal was "a very reasonable compromise between the previous ROK position and the Unified Command proposal", and merited serious consideration;
- (b) that it would in his view be necessary "to submit this counter-proposal to the Unified Command for final acceptance or rejection"; and
- (c) that he would like your views.

3. As I had previously mentioned on the telephone to you and to the other Commonwealth representatives, Colonel Ingram had telephoned me from Korea on August 20 to ask for our views on Mr. Kim's letter; and I had told him that although there had so far been no opportunity to discuss that letter with other Commonwealth representatives and anyway the matter would no doubt have to be referred to our governments, speaking personally I thought it fairly safe to say that they would not think the latest Korean proposals good enough.

4. We then considered the principles of settlement proposed by the Koreans in reply to Major-General Harmony's letter of June 18, in the light of a quick glance at the estimates of their own claims and U.N. counter-claims which the Koreans had recently forwarded to U.N. Command; a copy of which had just reached you. I think the main points were as follows:-

- (a) We agreed that the Korean proposals were significantly at variance with the terms of the Agreed Directive, - notably in limiting the mutual waiver of claims to the period of hostilities only.
- (b) We agreed that, leaving aside the question of real estate, etc., the Koreans seemed to be trying to secure some net payment for utility services they had rendered to the U.N. Forces after the date of the withdrawal of the U.S. power barge(s) (you thought there were in fact two) from the

/Inchon-Seoul

Brigadier B. Alderson,
Financial Adviser,
B.C.F.E.

Inchon-Seoul area on September 22, 1955. You understood that these barges had previously provided about 80% of the electricity supply in the area concerned. Before that date, and always excluding real estate, the Koreans seemed to be in deficit with the Unified Command, even on their own figures.

- (c) These figures also suggested that, even though the Korean estimates of what was due to them in respect of real estate were no doubt greatly inflated, it was important to the U.N. side to secure acceptance of the no payment principle for real estate.

5. The above, however, were personal views only and we agreed that so far as the reply to General Harmony's letter of August 9 was concerned, you could do no more than to note what he said (including his own views on the merits of the Korean counter-proposals), and inform him that those proposals together with his own views as regards future action, were being forwarded by Commonwealth representatives to their Governments.

6. We also agreed that while awaiting instructions there was little more that we could usefully do in Tokyo, although it seemed to us that reference to Washington, as General Harmony suggested, would indeed now be necessary.

7. I am sending copies of this letter to Messrs. Austin, Cunningham, Lalande and Major Macmillan.

(B. Greenhill).

for D. O. Hendy

C O P Y

ROK CLAIMS

As of 30 April 1956

Table I

UNIT: 1 H^W and \$

Services	Hostility period (1 July 50 - 27 July 53)		Post Hostility period (28 July 53 - 30 Sept 55)		After US power barge left (1 Oct 55 - 30 Apr 56)		Total	
	H ^W	\$	H ^W	\$	H ^W	\$	H ^W	\$
Real Estate (Land, Bldgs. & Materials)	12,802,890,970	311,789,067	48,257,397,555	325,153,561	13,200,955,446	24,401,903	74,261,243,971	661,344,531
Public Utility								
Electricity	1,038,588,388	20,104,296	3,171,970,210	20,134,966	828,095,345	1,656,191	5,038,653,943	41,895,452
Communications	592,764,560	11,313,528	1,702,212,600	11,549,495	424,904,000	849,808	2,719,881,160	23,712,831
Water	199,001,595	3,628,714	560,914,567	3,533,576	203,279,964	406,643	963,196,125	7,568,933
KNR Supplied Water & Electricity	16,785,844	461,315	11,166,173	78,029	213,840	428	28,165,857	539,772
Utility Sub-Total	1,847,140,387	35,507,853	5,446,263,550	35,296,066	1,456,493,149	2,913,070	8,749,897,085	73,716,988
GRAND TOTAL	14,650,031,357	347,296,920	53,703,661,105	360,449,627	14,657,448,595	27,314,973	83,011,141,056	735,061,519

ESTIMATED UNC CLAIMS (COUNTER CLAIMS)

1 July 1950 - 30 Sept 1955

Table II

Services	Hostility period 7/1/1950 - 7/27/1953		Post-hostility period 7/28/1953 - 9/30/1955		After US Power Barge left 10/1/1955 - 4/30/1956		Total	
	HW	\$	HW	\$			HW	\$
1/ Electricity	625,600,648	2,604,769	1,046,858,386	6,097,501	-	-	1,672,459,034	8,702,270
Water	30,416,050	60,832	22,229,630	44,459	-	-	52,645,680	105,291
2/ Transportation	4,140,697,364	74,861,666	5,307,644,878	44,412,609	-	-	9,448,342,242	119,274,275
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- 1/ The last US power barge left Korea on 22nd September 1955. However, in accordance with an agreement between the US Government and the ROK, since 1 July 1955 the costs of Barge operation were defrayed from ICA funds. The actual amount from 1 July to 22 September 1955 was HW 151,980,408 or \$ 765,000.
- 2/ KNR railway charges to UNC were actually lower than cost as UNC supplied materials were taken into consideration. The calculated price redemption amounts to HW 5,122,647,397 or \$ 60,470,870 (HW 2,189,175,358 or \$ 37,180,775 for hostility period and HW 2,933,472,039 or \$ 21,122,513 for post-hostility period) for the period from the beginning of the war through 31st May 1955. Therefore, UNC supplies to KNR could be valued at HW 4,325,694,845 or \$ 58,803,404.
- 3/ Several prevalent exchange rates were applied in computation.

COMPARISON BETWEEN ROK CLAIMS & COUNTER CLAIMS

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1 July 1950 - 30 September 1955

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UNCL Claims	-4,796,714,062 -77,527,267	-6,376,732,894 -50,554,569	- -	-11,173,446,956 -128,081,836
Balance	-2,949,573,675 -42,019,414	-930,469,344 -15,258,503	1,456,493,149 2,913,070	-2,423,549,871 -54,364,848
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UNC Claims adjusted amount	-2,607,538,704 -40,346,492	-3,443,260,855 -27,264,474	- -	-6,050,799,559 -67,610,965
Balance	-760,398,317 -4,838,639	-2,003,002,695 -48,031,592	1,456,493,149 2,913,070	2,699,097,526 6,106,023

1/ Assumed to include real estate and public utilities.

2/ Assumed to exclude real estate.

Assumed adjusted railway charges as pointed out on Table II. However, US Power Barge Operation costs since 1 July 1955 which amounts to \$765,000 is not included in consideration of reimbursement out of ICA funds.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

G.Lalande/W.C

Security:..CONFIDENTIAL.....

No:.....626.....

Date:..August 15, 1956.....

Enclosures: 4..(in duplicate).....

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

Post File No:.....

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

FROM: The Canadian Embassy,.....

.....Tokyo, Japan,.....

Reference:..Our letter No.586 of July 31, 1956.

Subject:..Korean Claims Negotiations,.....

.....

.....

Ottawa File No.	
210-7-13	
INDEXED By	FILED By
V	SP

References

Instead of meeting on August 10, 1956, as announced in our letter under reference, our British colleague met Brigadier Alderson privately on August 11 and handed over to him on our behalf a letter, copy of which is attached, which requests the Commonwealth Representative on U.N.C. Negotiating team to make some points to the United Nations Command. You will note from this letter that the explanatory paragraph covering point (d) did put on record your understanding that exclusion of real-estate claims from the present negotiations should be without prejudice to later negotiation of a settlement of these claims.

2. Since then, the Korean reply to General Harmony's new approach of June 14, 1956 has reached us. You will note from the copy of the text we are enclosing that it has taken the form of a letter dated August 7, 1956, from Mr. Kim, Hyun Chul, Korean Minister of Reconstruction to General Harmony, and amounted to turning down the latter's proposal and submitting a counter-proposal to the U.N.Command

3. You will appreciate that General Harmony's move has had the desirable result of clearing up the Korean position on the question of the waiving of real-estate claims. You will also note that the Koreans have again proposed in point (e) that new arrangements be entered into on a pay-as-you-go basis. In this connection, you will be interested in the attached summary of an editorial which appeared in the July 17 issue of The Korean Republic devoted to the current power crisis in Korea, and in the attached copy of an excerpt from the Korea Press of August 13, 1956, reporting that an agreement has allegedly been reached between Mr. Kim Il Hwan, Korean Minister for Commerce and Industry, and the U.N. Commander on a new formula for collecting power bills from the U.N.C.

4. We have not been able as yet to secure any comments from our Commonwealth colleagues on Mr. Kim's counter-proposal. We understand however that they are seeking the views of their governments. Our tentative and preliminary reaction is that it appears to be completely unacceptable. You will no doubt now wish to consider the situation in the light of these recent developments, and let us have your views for possible use with the other Commonwealth Missions concerned in Tokyo.

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to Posts

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The Embassy. 000974

210-7-13

C O P Y

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MINISTRY OF RECONSTRUCTION - REPUBLIC OF KOREA

Seoul, Korea
7 August, 1956.

Dear General Harmony,

This will acknowledge receipt of your letter of 18 June 1956 in which reference is made to our conversation of 14 June 1956 and your proposal concerning a solution to the settlement of claims and accounts in Korea and in which you request a written agreement or a specific Republic of Korea counter-proposal.

The position of the ROK Government was stated during the negotiations commenced on 15 December 1955 when it was proposed that all past claims be set aside pending further discussion and the drawing up of new arrangements for settlement on a pay-as-you-go basis. However, this proposal did not meet with the approval of the UNC side.

Reference is now made to your letter of 18 June 1956 where-in you recommend a new proposal whereby considerations of real estate be excluded and these negotiations be limited to matters concerning utility services. It is further proposed that new arrangements be entered into provided that the ROK Government and the UNC agree to the mutual waiver of all prior claims and off-sets in the field of utility services.

Your letter implies that all real estate claims be waived and we are unable to agree to this. However, we have now drawn up a counter-proposal based on the following principles:

- (a) Settlement of real estate claims be set aside pending further negotiations.
- (b) The over-all period be considered under four separate and general headings:
 - (1) The period of hostilities prior to the Cease Fire Order of July 27 1953.
 - (2) The post-hostilities period from 28 July 1953 up to the date of the withdrawal of the US Power Barge from Korea, i.e. 22 September 1955.
 - (3) From 23 September 1955 to the effective date of the new arrangements.
 - (4) A further period to commence from the date of the new arrangements.
- (c) Agreement be given to the mutual waiver of claims during the period of hostilities.
- (d) Past claims for the period from the cessation of hostilities to the effective date of the new arrangements be discussed.
- (e) New arrangements be entered into on a pay-as-you-go basis.

*we for hostilities
agreed ahead
discussion*

outlined

It is hoped that you will be in agreement with the terms of the ROK counter-proposal as outlined above and that an early settlement of public utility service claims can be effected as soon as possible.

Yours sincerely,

Major-General John W. Harmony
Senior Negotiator,
AFFE/Eighth Army
Seoul Area Command
Seoul, Korea.

Kim, Hyun Chul
s/t/ Minister of Reconstruction.

/COPY

British Embassy,
Tokyo.

August 10, 1956.

I am asking Douglas Henley to hand you this note on August 11 when you meet with him. He will be very happy, I know, to discuss any part of it which you may consider it necessary to discuss.

Since our meeting with you on July 27, of which Major Macmillan was kind enough to send us a brief record, I have discussed with representatives of the Commonwealth missions concerned our present position on Korean claims. As a result, we have agreed to ask you to make certain points when you next visit United Nations Command as Commonwealth Representative. These points are as follows:-

- (a) To mention the fact that twenty-one Governments are listed in Article I(i) of the draft agreement. It would be interesting to know what preceded the selection of these twenty-one. It may have been intended to include every Government against which the R.O.K. could lodge claims, in order to protect them. It seems to us that only the sixteen are officially aware of the negotiations and that any other Governments will have to be consulted before they are associated with any Agreement. It might, therefore, be preferable when the draft is revised to mention this matter in a note, and not to incorporate in the actual draft names of any Governments other than the sixteen.
- (b) To inquire when we are likely to be able to see the revised version of the draft agreement and to send it to our Governments for their comments.
- (c) To inquire about the present situation with regard to the negotiations in general, and in particular whether the exchange of calls reported in the press to have taken place between the R.O.K. Minister of Commerce and the C.-in-C. United Nations Command between July 28 and August 2 gave any clue as to the probable reaction of the R.O.K. Government to General Harmony's last approach. Is there any estimate of when the formal answer to this approach may be expected?
- (d) To seek an assurance that General Harmony's approach of June 14 foreshadowed no change in the present attitude of the U.N. side to real estate claims.

With regard to point (d) above, I should explain that we fully understand the position as you have put it to us, namely that the proposal to exclude from these negotiations discussion of real estate "not connected with utility services", does not in any way imply that the U.N. side might be willing in later negotiations, to accept a settlement of claims for the use of land and other real property on any other basis than that of a mutual waiver. Nevertheless, as we mentioned at our last meeting it would seem to be a somewhat weaker approach to exclude real estate from the scope of present discussions rather than to secure, in these negotiations, acceptance of the no payment principle by the R.O.K. and it is this latter line which has previously been followed with the Koreans. (We appreciate that this was perhaps going rather further than the Agreed Directive itself envisaged, having regard to the words "For your information" in paragraph 3); It would seem to be important that this change from the previous line on real estate should not be permitted to carry any implications that our side is any less insistent on the no

/payment

Brigadier B. E. Alderson, E.D.

payment principle. Commonwealth Governments would therefore appreciate an assurance that U.N. Command endorses the views set out above and would be grateful if they could be kept informed of developments.

Perhaps you would send us a note when you have been to United Nations Command, and let us know how things stand, and what reactions you get to the points in paragraph 2 above.

C O P Y

Summary of an editorial which appeared in the July 17
issue of The Korean Republic

The editorial in The Korean Republic for July 17 is devoted to the power crisis which it is alleged is being caused by the failure of the United Nations Command to pay for the electricity supplied to it.

2. The editorial suggests that, pending a solution to the negotiations that have been going on for several years, the United Nations Command should unilaterally begin payment for present power consumption and should make retroactive payment (presumably "for all power used, for water supplied, for buildings and land utilized, and for other services performed", as is stated in another part of the editorial) at least for the three years since the signing of the Armistice Agreement.

3. According to the editorial, such an action would not prejudice the total case of either side but would do a great deal to create a favourable atmosphere for full settlement and would remove the ruinous pressure from Korean power companies.

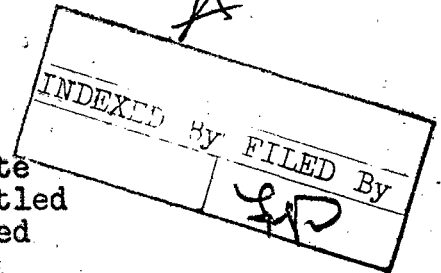
COPY

erpt from Korea Press, August 13, 1956.

please file
9/1

Power Bill Dispute Nearing Settlement.

Seoul, Aug. 13 -- The power bill dispute with the United Nations Command will be settled in a couple of days by a new method, informed sources said yesterday.



They said Commerce and Industry Minister Kim Il Hwan and U.N. Commander Lyman L. Lemnitzer have agreed on a new formula of collecting power bills from the U.N.C.

According to the agreement, Korea will conclude an official power contract with the U.N.C. to collect power rates periodically by fixing a certain date as the starting point of the new power bill collecting plan.

The agreement reported to have been favored by President Syngman Rhee also calls for renewed negotiations between Korea and the U.S. for Korean collection of the power bills which the U.N.C. has neglected to pay for the past six years.

The bills in arrears total 5,100 million hwan.

*Mr. Lalonde -
Pls. speak*



British Embassy,
Tokyo.

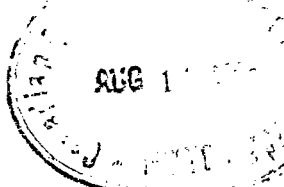
(1-93/1/74/56)

J.H.

CONFIDENTIAL

August 13, 1956.

John John



210-7-13	
INDEXED By	FILED By
<i>RMP</i>	<i>SP</i>

I now enclose a copy of the letter which we gave to Brigadier Alderson when he called on August 11. As you see, it is an amended version of the draft enclosed with my letter of August 9, altered in accordance with your suggestions and those of our other Commonwealth colleagues. This letter brings events up to date until the evening of August 10, but on that evening Gilles Lalonde showed Sydney Giffard a copy of Mr. Kim's latest letter to General Harmony of August 7. For ease of reference and for Cunninghame and Austin, to whom I am sending copies of this letter and its enclosures, I attach a further copy of this letter, (which we have now also received from the United Kingdom Legation in Seoul). You will no doubt have comments on this letter, as Cunninghame and Austin will also, and I suggest that we arrange a meeting to discuss it. I shall be away next week but perhaps you will be kind enough to give Douglas Henley a ring so that he can arrange a meeting at everybody's convenience. We are taking the opportunity of the bag to London on Monday to send a copy of this letter to the Foreign Office but we shall save our comments until we have had an opportunity to discuss it with you and with the others.

Yours ever

Sydney Giffard

for B. GREENHILL

J. G. H. Halstead, Esq.,
Canadian Embassy,
TOKYO.

000980

*I spoke to
Douglas on
Aug. 15. He
agreed that
there was no
need for
meeting until
we receive
comments from
our respective
govts.
Letter sent
immediately
to Ottawa
please file
JH*

British Embassy,
Tokyo.

August 10, 1956.

I am asking Douglas Henley to hand you this note on August 11 when you meet with him. He will be very happy, I know, to discuss any part of it which you may consider it necessary to discuss.

Since our meeting with you on July 27, of which Major Macmillan was kind enough to send us a brief record, I have discussed with representatives of the Commonwealth missions concerned our present position on Korean claims. As a result, we have agreed to ask you to make certain points when you next visit United Nations Command as Commonwealth Representative. These points are as follows:-

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/payment

Brigadier B.E. Alderson, E.D.

000981

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Perhaps you would send us a note when you have been to United Nations Command, and let us know how things stand, and what reactions you get to the points in paragraph 2 above.

C O P Y

MINISTRY OF RECONSTRUCTION - REPUBLIC OF KOREA

Seoul, Korea
7 August, 1956.

Dear General Harmony,

This will acknowledge receipt of your letter of 18 June 1956 in which reference is made to our conversation of 14 June 1956 and your proposal concerning a solution to the settlement of claims and accounts in Korea and in which you request a written agreement or a specific Republic of Korea counter-proposal.

The position of the ROK Government was stated during the negotiations commenced on 15 December 1955 when it was proposed that all past claims be set aside pending further discussion and the drawing up of new arrangements for settlement on a pay-as-you-go basis. However, this proposal did not meet with the approval of the UNC side.

Reference is now made to your letter of 18 June 1956 where-in you recommend a new proposal whereby considerations of real estate be excluded and these negotiations be limited to matters concerning utility services. It is further proposed that new arrangements be entered into provided that the ROK Government and the UNC agree to the mutual waiver of all prior claims and off-sets in the field of utility services.

Your letter implies that all real estate claims be waived and we are unable to agree to this. However, we have now drawn up a counter-proposal based on the following principles:

- (a) Settlement of real estate claims be set aside pending further negotiations.
- (b) The over-all period be considered under four separate and general headings:
 - m (1) The period of hostilities prior to the Cease Fire Order of 27 July 1953.
 - (2) The post-hostilities period from 28 July 1953 up to the date of the withdrawal of the US Power Barge from Korea, i.e. 22 September 1955.
 - (3) From 23 September 1955 to the effective date of the new arrangements.
 - (4) A further period to commence from the date of the new arrangements.
- (c) Agreement be given to the mutual waiver of claims during the period of hostilities.
- (d) Past claims for the period from the cessation of hostilities to the effective date of the new arrangements be discussed.
- (e) New arrangements be entered into on a pay-as-you-go basis.

It is hoped that you will be in agreement with the terms of the ROK counter-proposal as outlined above and that an early settlement of public utility service claims can be effected as soon as possible.

Yours sincerely,

Kim, Hyun Chul
s/t/ Minister of Reconstruction

Major-General John W. Harmony
Senior Negotiator,
AFPE/Eighth Army
Seoul Area Command
Seoul, Korea.

000983

SEARCHED	INDEXED	FILED	By

CONFIDENTIAL

British Embassy,
Tokyo.

(1193/1/73/56)

August 9, 1956.

My dear John,

AUG 10 1956

File
J.H.

We have not thought it necessary to produce a detailed record of our meeting of July 27 with Brigadier Alderson. You will have seen Major Macmillan's summary and, as you will remember, there was little of substance in the discussions of the subjects which it covers.

I enclose a draft of a letter which I propose to ask Douglas Henley to hand to Brigadier Alderson on Saturday, August 11, when they meet again. If you feel that a letter in these terms would cover satisfactorily the points in which we are interested, perhaps you would be good enough to let me know. We can always discuss the draft if you would like to see it altered. I am sending copies of this letter to Rex Cunninghame and Dick Austin, and I would be grateful for their agreement to the draft or comments on it. If we can produce an agreed version, you may feel that it will be necessary only for Douglas Henley to hand it to Brigadier Alderson and to offer explanation if required. You may, of course, prefer to be present. Perhaps, in view of the short time available - I fear the production of this draft has been somewhat delayed by other matters - you and the others concerned would let me have your views by telephone tomorrow (August 10) afternoon.

Comments passed on to S.G.ifford over the telephone. Text agreed with a suggestion regarding par. 3
Aug. 10/56

Major MacMillan's record of our meeting does not cover our subsequent discussion on the future of the United Nations Status of Forces Agreement. You may find it useful if I summarise a letter which we have since sent to the Foreign Office on this subject. We have told them that both the run down of B.C.F.K. at Kure and the closing down of the Leave Centre at Ebisu may come sooner than we expected. We have suggested that the announcement of the transfer next year on, or perhaps by, July 1, of United Nations Command from Tokyo to Korea should simplify this issue, and that the Americans have told us that the Japanese do not at present seem to be worried about the Agreement and will probably regard it as remaining in force at least as long as United Nations Command remains in Japan. If they wish to raise the matter, they are likely to do so with the United States representatives on the Joint Committee. We have proposed for consideration that we should act on the assumption that the Agreement remains in force until the departure of United Nations Command, and that there may be no objection on the part of Commonwealth Governments to its termination at that time. Minor problems arising in connection with the agreement can probably be

done by J.
15/11/56
Excep for
on 340-0

Mr. J.G.H. Halstead,
Canadian Embassy,
TOKYO.

/settled

-2-

settled on an ad hoc basis. Finally, we must decide in what terms to inform the Japanese Government of the departure of the last Commonwealth troops from Japan without inviting them to suggest that the agreement terminates at that time. We might do this by speaking of B.C.F.K. as a Command and omitting mention of the various liaison officers and experts who will be required in Japan for a time after the Command comes to an end. We have told London that Jules Bassin expects to leave Tokyo in early September and that since he is the resident local American expert on the Agreement we should endeavour to reach an agreed Commonwealth line before his departure, so that he can brief his successor.

Yours ever,

Basil Greenhill.

(B. Greenhill)

CONFIDENTIAL

CONFIDENTIAL

Draft letter ----

from Mr. Greenhill,

to

Brigadier B.E.
Alderson, E.D.

I am asking Douglas Henley to hand you this note on August 11 when you meet with him. He will be very happy, I know, to discuss any part of it which you may consider it necessary to discuss.

2. Since our meeting with you on July 27, of which Major Macmillan was kind enough to send us a brief record, I have discussed with representatives of the Commonwealth missions concerned our present position on Korean claims. As a result, we have agreed to ask you to make certain points when you next visit United Nations Command as Commonwealth Representative. These points are as follows:-

(a) To mention the fact that twenty-one Governments are listed in Article I(i) of the draft agreement. It would be interesting to know what preceded the selection of these twenty-one. It may have been intended to include every Government against which the R.O.K. could lodge claims, in order to protect them. It seems to us that only the sixteen are officially aware of the negotiations and that any other Governments will have to be consulted before they are associated with any Agreement. It might, therefore, be preferable when the draft is revised to mention this matter in a note, and not to incorporate in the actual draft names of any Governments other than the sixteen.

(b) To inquire when we are likely to be able to see the revised version of the draft agreement and to send it to our Governments for their comments.

(c) To inquire about the present situation with regard to the negotiations in general, and

/in

in particular whether the exchange of calls reported in the press to have taken place between the R.O.K. Minister of Commerce and the C.-in-C. United Nations Command between July 28 and August 2 gave any clue as to the probable reaction of the R.O.K.

Government to General Harmony's last approach. Is there any estimate of when the formal answer to this approach may be expected?

(d) To seek an assurance that General Harmony's approach of June 14 foreshadowed no change in the present attitude of the U.N. side to real estate claims.

3. With regard to point (d) above, I should explain that we fully understand the position as you have put it to us, namely that the proposal to exclude from these negotiations discussion of real estate "not connected with utility services", does not in any way

imply that the U.N. side might be willing in later negotiations, to accept settlement of claims for the use of land and other real property on any other basis than that of a mutual prisoner estate, used in Korea at any time, should be made.

Nevertheless, as we mentioned at our last meeting it would seem to be a somewhat weaker approach to exclude real estate from the scope of present discussions rather than to secure, in these negotiations, acceptance of the no payment principle by the R.O.K. and it is this latter line which has previously been followed with the Koreans. (We appreciate that this was perhaps going rather further than the Agreed Directive itself envisaged, having regard to the words "For your information" in paragraph). Commonwealth Governments would therefore appreciate an assurance that U.N. Command endorses the views set out above and would be grateful if they could be kept informed of developments.

Text to be included in the final draft.
gl

-3-

4. Perhaps you would send us a note when you have been to United Nations Command, and let us know how things stand, and what reactions you get to the points in paragraph 2 above.

210-7-13

C O P Y

UNIFIED COMMAND
Office of the Senior Negotiator
Seoul, Korea

SUBJECT: Settlement of Claims and Accounts

9 August 1956

TO: Brigadier B. Alderson
Financial Advisor to CINC,
British Commonwealth Forces, Korea
British Commonwealth Sub-Area, Tokyo
BAPO

1. You are familiar with my letter of 18 June 1956 to Minister Hyun Chul Kim, ROK Minister of Reconstruction and Representative of the ROK for the settlement of claims and accounts, in which I proposed that real estate, as such, be excluded from consideration and that these negotiations be limited to matters concerning utilities services and only such real estate as is involved therewith. Further, I reiterated the previous proposal, as stated in letter, Headquarters, United Nations Command, dated 16 Sep 1955, to Minister Kim, and signed by Lt Gen Elmer J. Rogers, Jr., Chief of Staff, that new arrangements be entered into, whereby settlement will be made on a current basis for utilities services furnished the Unified Command by the ROK facilities following acceptance by the ROK Government of the Unified Command position that both parties agree to the mutual waiver of all past claims.

2. In my letter to Minister Kim, I requested that he inform me, in writing, of the decision of the ROK Government concerning this proposal, and that if the proposal was not acceptable that a specific ROK counter-proposal be submitted.

3. There have been some informal meetings with Minister Kim on this subject since my last letter and Minister Kim has now made the counter-proposal contained in the inclosed letter. In my opinion, this counter-proposal is a very reasonable compromise between the previous ROK position and the Unified Command proposal. I believe it merits serious consideration.

4. I believe it will be necessary to submit this counter-proposal to the Unified Command for final acceptance or rejection. Consequently, before forwarding it to the CG AFFE/8A, who is executive agent for this matter, I would like for you to study it and send your comments and recommendations to me with the least practicable delay.

(sgd) John W. Harmony.

JOHN W. HARMONY

Major General, United States Army
Senior Negotiator

1 Incl
Ltr fr Min of
Reconstruction, ROK,
to Maj Gen J. W. Harmony,
dtd 7 Aug 56

210-7-13

*please file
gl*

Headquarters,
British Commonwealth Sub Area, TOKIO
British Army Post Office No 5.

847/1/35

9 Aug 56.

RECORD OF A MEETING HELD AT THE
BRITISH EMBASSY ON 27 JUL 56

1. The attached Record of the above meeting is forwarded herewith for your information.
2. Previous Record of same meeting despatched on 31st Jul 56 should be destroyed.

R.A.StC Macmillan

(R.A.StC. MACMILLAN) Major.
Joint Board Liaison Officer.

Mr. J. HALSTEAD
Canadian Embassy,
TOKYO.

Record of a Meeting held at the British Embassy
at 0930 hrs on 27 Jul 56.

Present: Messrs D. HENLEY)
B. GREENHILL) British Embassy
S. GIFFORD)
J. HALSTEAD) Canadian Embassy
G. LALANDE)
R. AUSTIN - Australian Embassy
R.R. CUMMINGHAME - New Zealand Legation

Brigadier B.E. ALDERSON ED)
Major W.J. CROSBY MBE R Aust Inf) BCFK
Major R.A.StC. MACMILLAN BW)

1. Ammunition Disposal

Permission has now been received from Melbourne to proceed with the sale of surplus ammunition.

- (a) Demilitarised ammunition has been sold to five bidders. Disposal will be complete by the end of August.
- (b) Undemilitarised ammunition is being negotiated now, disposal should be complete by the end of January 1957 at the latest.

2. Disposal of various installations as going concerns

The Japanese have been asked to make definite offers. No replies have yet been received.

3. Yen Funds

In reply to an Embassy inquiry as to what yen balances are anticipated to be on hand at the final run-down Brigadier ALDERSON stated that he was sure these would be negligible. In fact, he said, we are still buying yen.

4. Korean Claims

The draft agreement shows no deviation from the Directive. The intention behind the draft agreement is, on the contrary, to underline the exclusion of real estate.

It was emphasized that the draft agreement is purely tentative, and was designed to stimulate thought, so that, when the time comes to draft a final agreement for signature, covering all the points agreed in negotiation, the ideas and opinions of all the British Commonwealth nations would be known and available to be embodied in such a draft.

R.A.StC. Macmillan

8 Aug 56.

(R.A.StC. MACMILLAN) Major.
Joint Board Liaison Officer.

000991

UNITED NATIONS NEGOTIATING TEAM
(ROK CLAIMS AND ACCOUNTS)
Office of the Senior Negotiator
APO 301

please file
gl

8 August 1956

Dear Colonel Elwood:

Attached hereto is a letter to Major General John W. Harmony, Senior Negotiator, from Mr. Hyun Chul Kim, Minister of Reconstruction, Republic of Korea, dated 7 August 1956, in which Minister Kim submits counter-proposals for the settlement of ROK claims and accounts. This letter is being sent to the representatives of all member nations of the Unified Command.

The proposal is also being forwarded to all members of the negotiating team for study and recommendation.

Further information will be supplied as it develops.

Sincerely,



LIONEL R. INGRAM
Colonel CE
Representative to the
Senior Negotiator

1 Incl:
Ltr fr Min of Recon-
struction, ROK, to
Maj Gen J.W. Harmony
dtd 7 Aug 56

Colonel Eric D. Elwood, MBE, CD
Canadian Liaison Group
c/o Chief, United Nations Liaison Section
Hq, UNC, APO 500

MINISTRY OF RECONSTRUCTION
REPUBLIC OF KOREA

Seoul, Korea
7 August 1956

Dear General Harmony,

This will acknowledge receipt of your letter of 18 June 1956 in which reference is made to our conversation of 14 June 1956 and your proposal concerning a solution to the settlement of claims and accounts in Korea and in which you request a written agreement or a specific Republic of Korea counter-proposal.

previous stand
The position of the ROK Government was stated during the negotiations commenced on 15 December 1955 when it was proposed that all past claims be set aside pending further discussion and the drawing up of new arrangements for settlement on a pay-as-you-go basis. However, this proposal did not meet with the approval of the UNC side.

Reference is now made to your letter of 18 June 1956 where in you recommend a new proposal whereby considerations of real estate be excluded and these negotiations be limited to matters concerning utility services. It is further proposed that new arrangements be entered into, provided that the ROK Government and the UNC agree to the mutual waiver of all prior claims and offsets in the field of utility services.

Your letter implies that all real estate claims be waived and we are unable to agree to this. However, we have now drawn up a counter-proposal based on the following principles:

- (a) Settlement of real estate claims be set aside pending further negotiations.
- (b) The over-all period be considered under four separate and general headings:
 - (1) The period of hostilities prior to the Cease Fire Order of 27 July 1953.
 - (2) The post-hostilities period from 28 July 1953 up to the date of the withdrawal of the US Power Barge from Korea, i.e. 22 September 1955.
 - (3) From 23 September 1955 to the effective date of the new arrangements

(4) A further period to commence from the date of the new arrangements.

(c) Agreement be given to the mutual waiver of claims during the period of hostilities.

(d) Past claims for the period from the cessation of hostilities to the effective date of the new arrangements be discussed.

*Completely unacceptable.
This is our trump
card*

(e) New arrangements be entered into on a pay-as-you-go basis.

It is hoped that you will be in agreement with the terms of the ROK counter-proposal as outlined above and that an early settlement of public utility service claims can be effected as soon as possible.

Yours sincerely,

s/t/

Kim, Hyun Chul
Minister of Reconstruction

Major-General John W. Harmony
Senior Negotiator
AFTE/Eighth Army
Seoul Area Command
Seoul, Korea

Mr. Lalonde -
Please speak
J.H.

File
J.H.

Unclassified

August 1, 1956

Memorandum for File No. 210-7-13

Subject: Korean Claims Negotiations

// The editorial in The Korean Republic for July 17 is devoted to the power crisis which it is alleged is being caused by the failure of the United Nations Command to pay for the electricity supplied to it.

2. The editorial suggests that, pending a solution to the negotiations that have been going on for several years, the United Nations Command should unilaterally begin payment for present power consumption and should make retroactive payment (presumably "for all power used, for water supplied, for buildings and land utilized, and for other services performed", as is stated in another part of the editorial) at least for the three years since the signing of the Armistice Agreement.

3. According to the editorial, such an action would not prejudice the total case of either side but would do a great deal to create a favourable atmosphere for full settlement and would remove the ruinous pressure from Korean power companies. //

J. G. H. Halstead

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

G.Lalande/J.C

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

FROM: ... The Canadian Embassy, ...
... Tokyo, ... Japan, ...

Reference: Your letter No. L-409 of July 13, 1956.

Subject: ... Korean Claims Negotiations, ...
.....
.....

Security: CONFIDENTIAL

No: 586

Date: 31 July, 1956.

Enclosures:

Air or Surface Mail: Air

Post File No: 210-7-13

Ottawa File No.

References

At a meeting of representatives of Commonwealth diplomatic missions at the British Embassy on July 27, 1956, Brigadier Alderson, the Commonwealth representative on UNC negotiating team, expressed the opinion that General Harmony's new approach to the Koreans though it modifies the Draft Agreement on this point, makes no significant departure from the agreed negotiating instructions. You will recall that the Revised Instructions to the C-in-C U.N.C. (FA 153/100/55) states in this respect:

"For your information it is also the position of such Government that no payment should be made for the use of facilities (i.e. real property, including land, buildings and other structures) furnished by the R.O.K. Government to the Forces of those Governments either during or after hostilities."

According to Brigadier Alderson, the American interpretation of above-quoted excerpt is that this excludes payment for real-estate from any eventual agreement but not from these negotiations and that General Harmony's new approach merely underlines one aspect of this exclusion.

Internal
Circulation

This is passed on to you for your information but we shall welcome any views you may wish to forward on this interpretation of the agreed negotiating instructions. We shall, in any case, put on record your understanding that exclusion of real-estate claims from the present negotiations should be without prejudice to later negotiation of a settlement of these claims when the Commonwealth representatives meet again with Brigadier Alderson on August 10.

Distribution
to Posts

T. F. M. NEWTON
The Embassy.

330-04
210-15-4
Jul

210-7-13	
INDEXED By	FILED By
	JA

HEADQUARTERS
UNITED NATIONS COMMAND AND FAR EAST COMMAND
Public Information Office

0400
19 July 1956

Telephone No. : 265-2638

For Release at 0700, 19 July 1956

Simultaneous Release in Washington, Tokyo and Seoul

DEPARTMENT OF DEFENCE RELEASE ON CONSOLIDATION OF FAR EAST AND
PACIFIC COMMANDS

The Department of Defence today announced plans to consolidate under the Commander-in-Chief, Pacific, with Headquarters located in Hawaii, the areas and responsibilities of the Commander-in-Chief, Pacific and the Commander-in-Chief, Far East Command. The planned date for the change is 1 July 1957. The change will simplify the command and organization of US Forces in the Pacific-Far East area.

The United Nations Command will be retained as a separate major command because of the unresolved politico-military situation which has resulted only in a suspension of hostilities and a state of truce. The Headquarters of the United Nations Command, presently in Tokyo, will be relocated in Korea. The US support of United Nations forces in Korea will become the responsibility of the Commander-in-Chief, Pacific.

To carry out the functions and operations of US Forces in Japan an appropriate US headquarters will remain in Tokyo functioning under the command of the Commander-in-Chief, Pacific in accordance with the security treaty and in cooperation with Japan's Self-Defence Forces.

Other actions stemming from this basic decision will be worked out carefully and deliberately during the period prior to the command change. No major changes in the deployment of US armed forces in this area are contemplated as a result of this action.

210-7-13

CONFIDENTIAL

Tokyo, July 17, 1956.

Further to my letter of July 4 concerning the draft agreement on Korean claims, we have now received comment from Canada on General Harmony's new approach to the Koreans.

The Canadian authorities have no objection to General Harmony's proposal to the Koreans as reported in his memorandum dated June 16, 1956 provided it is clearly understood that this proposal does not indicate a willingness to make settlement of claims for the use of land and other real property on any basis other than that of a mutual waiver or, in other words, that exclusion of real-estate claims is without prejudice to the later negotiation of a settlement of these claims.

I would, therefore, propose that an early Commonwealth meeting be held to consider this and any other comments the Missions concerned may have on General Harmony's proposal.

I am sending copies of this letter to Rex Cunninghame and Dick Austin.

J. G. H. HALSTEAD

J. G. H. Halstead.

B. Greenhill, Esq.,
The British Embassy,
Tokyo.

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 RECEIVED

16 JULY 1956

Halstead
CONFIDENTIAL

310-7-13

FM EXTERNAL OTTAWA JUL13 CONF

TO EMBASSY TOKYO L106

REFERENCE: YOUR TEL 106 JUN30

SUBJECT: KOREAN CLAIMS NEGOTIATIONS

NO OBJECTION TO HARMONY'S PROPOSAL PROVIDED CLEARLY UNDERSTOOD
PROPOSAL DOES NOT INDICATE A WILLINGNESS TO MAKE SETTLEMENT OF
CLAIMS FOR THE USE OF LAND AND OTHER REAL PROPERTY IN ANY OTHER
BASIS THAN THAT OF A MUTUAL WAIVER. IN OTHER WORDS THAT EXCLUSION
OF REAL ESTATE CLAIMS IS WITHOUT PREJUDICE TO LATER NEGOTIATION
OF A SETTLEMENT OF THESE CLAIMS.

MORE DETAILED COMMENT FOLLOWS BY AIR BAG.



NO.	INIT.
AMBASSADOR	
NEWTON	
HALSTEAD	<i>J.H.</i>
RETTIE	
ROBERTSON	
<i>→</i> LALANDE	
MISS CURRIE	

(for action)

*Letter sent to
B. Greenhill, British Emb.
on July 17, 1956
please file
gl*



COPY 1

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: CANADIAN EMBASSY,
TOKYO, JAPAN.

Security: CONFIDENTIAL

No: L-409

Date: July 13, 1956

Enclosures:

Air or Surface Mail: Air

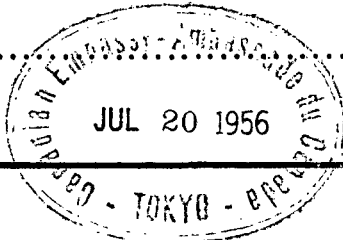
Post File No: 210-7-13

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

Reference: Your Telegram No. 106 of June 30.

Subject: Korean Claims Negotiations.

Ottawa File No.
50069-M-40



References

Following are the comments of the Department of National Defence with which this Department and the Department of Finance are in agreement on the matters raised in your telegram under reference:

"Although the latter term appears to us to be somewhat more euphonious, it seems to us to make very little substantial difference whether the term 'Unified Command' or the term 'United Nations Command' is used in the draft Agreement presented to the Republic of Korea, provided that whichever term is used it is adequately defined.

"We consider that the wording of Article III(1) is open to possible misinterpretation by not making it clear whether or not the Government of the Republic of Korea waives claims only against the Unified Command, representing the Governments collectively, or whether it waives claims against the Governments collectively and claims against the individual Governments as well. We are glad that the United Kingdom authorities in Tokyo are continuing to seek a clarification in the wording of this Article of the draft Agreement.

Internal
Circulation

"We are somewhat surprised that General Harmony has made a new approach to the Koreans, modifying the basic position by excluding from the negotiations all claims arising from the use of real estate, except real estate connected with utilities services, and thus making a major departure from the agreed negotiating instructions, without governments having first been consulted. We do not, however, object to real estate claims being excepted from the present negotiations provided that it is clearly understood that we do not indicate thereby a willingness to make settlement of claims for the use of land and other real property on any other basis than that of a mutual waiver. In other words, we can accept the exclusion of real estate claims from the present negotiation provided that such exclusion is without prejudice to later negotiation of a settlement of these claims."

Distribution
to Posts

NO.	INIT.
AMBASSADOR	
NEWTON	27
HALSTEAD	
RETTIE	
ROBERTSON	
2 LALANDE	
MISS CURRIE	

for the
Under-Secretary of State
for External Affairs



12th July, 1956.

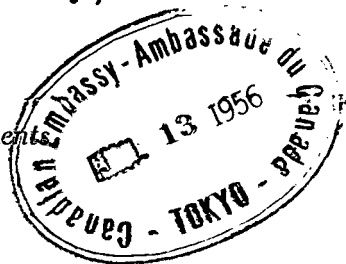
TOKYO.

Mr. J.G.H. Halstead,
First Secretary,
Canadian Embassy,
TOKYO.

With the Compliments

of the

Australian Embassy.



Copies forwarded for your
information.

[Signature]
~~Mr. Newton~~
~~Mr. Lalonde~~

1 file

001001

SENT

This is an unparaphrased version of a Cypher Message. It is not to be distributed outside a British Commonwealth Government Department or Instrumentality without paraphrasing. It is never to be downgraded below 'Restricted.'

**AUSTRALIAN EMBASSY
TOKYO
CABLEGRAM.
OUTWARDS**

CONFIDENTIAL.

10th July, 1956.

TO: EXTERNAL CANBERRA

NO: .221

210-7-13

At Old Commonwealth Meeting to-day I mentioned your memorandum 394 on Korean Claims Negotiations. No objection was raised to procedure proposed in paragraph 3, despite some reluctance due lack of jurisdiction in Korea and of any special competence regarding Korean problems. However, it was suggested actual experience might make it necessary at some future stage to propose different procedure. WATT.

COPY.

CONFIDENTIAL.

In reply quote No.:
653/2/1/1/7

Department of External Affairs,
Canberra.
4th July, 1956.

Memo. No. 394.

The Australian Embassy,
TOKYO.

KOREAN CLAIMS NEGOTIATIONS

I refer to your memorandum 395 of 15th May. On 25th June the United Kingdom High Commission drew attention to the fact that the directive for Brigadier Alderson would require revision in respect of paragraph 3 and paragraph 6 (covering reporting through the Commander-in-Chief and receiving instructions via the Commander-in-Chief).

2. The United Kingdom stated that it had "no particular views as to whom the representative should report to and receive instructions from after 1st July in place of the Commander-in-Chief B.C.F.K. provided that he will send copies of his reports direct to Commonwealth missions in Tokyo as before, and that arrangements for his receiving instructions on similar lines to those now in force are maintained". The United Kingdom asked that they be given copies of the revised directive for Brigadier Alderson in due course.

3. With reference to the United Kingdom letter, the Department of Defence has advised as follows:-

" From the Defence point of view the situation has altered materially since the present directive was issued. The Commander B.C.F.K. does not have the same responsibilities as the Commander-in-Chief, B.C.F.K., and is solely concerned with closing down the base. In view of the changed role of B.C.F.K. from 1st July the Commander, B.C.F.K., has no responsibilities in regard to the Commonwealth forces in Korea or towards the United Nations unified command. It is not considered that he should be required to assume any responsibilities in connection with the Korean negotiations. In view of this, we consider that Alderson, as Commonwealth Representative on the negotiating team, should now report direct to the Commonwealth missions in Tokyo and receive his instructions direct from them. It is suggested that the directive to the Commonwealth Representative should be suitably amended to provide for this."

4. We see no objection to this procedure subject to any comments that you may have. In the absence of any telegraphic advice to the contrary from you after receipt of this memorandum we propose to tell the Department of Defence to go ahead with the preparation of a new directive along the lines they have suggested.

5. As general comment we are aware that time is dragging by without any apparent advancement of the situation, bearing in mind as we must, that Brigadier Alderson's time in Japan is not unlimited. We shall again get in touch with Washington to see if any progress is being made and would of course appreciate any comments from your end if you hear of any new developments.

(Sgd) M. Loveday
(H. M. Loveday)
for Secretary.

CONFIDENTIAL.

File 210-7-13

CONFIDENTIAL

Tokyo, July 4, 1956

Thank you for letting me have a copy of your letter to Rex Cunningham of the New Zealand Legation, dated June 28, 1956, and its enclosures concerning the draft agreement on Korean claims.

We have passed on to Ottawa for their urgent attention the information contained in these enclosures. We have also pointed out that General Harmony's proposed new approach to the Koreans would specifically exclude from the negotiations the discussion of real estate except real estate connected with utilities services. Any comments which may be received will be passed on immediately to you and the other Commonwealth missions concerned.

In the meantime, I am pleased to note that the Foreign Office views you have already passed to Colonel Riley on Article I (1) and Article III (1) are in line with Canadian views. I should also think that the Canadian Government will be content with London's suggestions concerning Article V.

I am sending copies of this letter to Rex Cunningham and Dick Austin.

J. G. H. HALSTEAD

J. G. H. Halstead.

Basil Greenhill, Esquire,
British Embassy,
Tokyo.



DEPARTMENT OF EXTERNAL AFFAIRS

OUTGOING MESSAGE

FROM: The Canadian Embassy Tokyo

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

Security Classification
CONFIDENTIAL

File No.
210-7-13

Message To Be Sent

AIR CYPHER
EN CLAIR
CODE
CYPHER

No. 106 Date June 30, 1956

For Use of Communications Staff Only

Priority

Originator

GL/mm
Signature

Approved By

Internal Distribution

DIARY
FILE
CIRCULATION
GL Diary
Done
Date

Copies Referred To

Done
Date
Ext. 18 (Rev. 11/52)

Reference: Korean Claims Negotiations

Subject: Your letter L-355 of June 18, 1956

UN Command have agreed to incorporate Commonwealth comments in Draft Agreement with following exceptions:

- (a) they object to substitution of term "Unified Command" by "United Nations Command" in Article I(1);
- (b) they still consider wording of Article III(1) not liable to misinterpretation.

They will also redraft Article IV "taking into consideration" Commonwealth suggestions. The British, in line with Commonwealth comments, have already returned to the charge on points (a) and (b). Grateful for any further comments you wish to make.

2. On June 14 Gen. Harmony made new approach to Koreans modifying basic position in one way, i.e. exclusion from these negotiations of real estate except real estate connected with utilities services. Mutual waiver of claims has of course been maintained as prerequisite to new arrangements on "pay as you go" basis. Proposal expected to be submitted without delay to ^{Rok}~~OK~~ cabinet and negotiations may therefore resume shortly.

3. Unless we hear from you to the contrary, we will assume you concur in Harmony's proposal.

CONFIDENTIAL
BY HAND
IMMEDIATE



(1193/1/47/56)

June 28, 1956.

JUN 29 1956

WITH THE COMPLIMENTS

OF
B. Greenhill,
CHANCERY

Mr. J. G. H. Halstead,
Canadian Embassy,
Tokyo.

BRITISH EMBASSY,
TOKYO.

*Harmony's memorandum
sent to Ottawa
for information
with reference to
our teleg. of June 30/56
please*

001006

210-7-13

CONFIDENTIAL
BY HAND
IMMEDIATE

(1193/1/47/56)

June 28, 1956.

I sent you with my compliments on April 24, 1956, a copy of a letter I had written to Brigadier Alderson about the draft agreement on Korean claims. This letter enclosed the Commonwealth comments on the draft agreement, collated in a preliminary form in this Embassy.

2. I later received a note giving the views of Lieutenant-Colonel Riley of Headquarters, United Nations Command, on these comments. Owing to an oversight, for which I apologise, this note was not copied to you or to John Halstead or Dick Austin as it should have been. I only discovered this oversight when we received from London yesterday their reactions to Colonel Riley's comments.

3. I am therefore sending you now, as enclosures to this letter (of which I am sending copies to John Halstead and Dick Austin), (a) Colonel Riley's comments on the Commonwealth comments on the draft agreement and (b) a copy of the relevant passages from a letter giving Foreign Office reactions to (a).

4. Enclosure (b) consists, as you will see, of eight points, numbered (a) to (h). I think only one of these, (g), raises new points and I hope that London's suggestions will be acceptable to the Americans. I imagine that the other Commonwealth governments will be content.

5. The reference under (c) to a further attack by Brigadier Alderson is made because we mentioned, in sending Riley's note to London, that on this point Alderson intended to approach him again.

6. You may wish to obtain any further views your Government may have on the discussions shown in these two documents. However, we have just heard from Washington that negotiations may be starting up again quite soon. General Harmony, it appears, has been told to continue negotiations on the basis of his original instructions "but with somewhat more flexibility". We have in fact today received from Major Macmillan the enclosed report by Major General Harmony of his new approach to the Koreans. You will see that except on one point this maintains the position presumably agreed between the governments concerned. The exception is that it is now proposed to exclude from these negotiations the discussion of real estate except real estate connected with utilities services. We are seeking London's views on this modification.

/7.

Mr. R. R. Cunninghame,
New Zealand Legation,
Tokyo.

- 2 -

7. In view of these developments I think we ought to ask Brigadier Alderson to let Colonel Riley have London's further comments on the draft agreement right away, and I am therefore sending Major Macmillan a copy of this letter and its second enclosure for this purpose. No doubt there will have to be further discussion on the draft in any case.

8. There is one other problem which you may wish to mention in writing back on this subject, namely that a new "Diplomatic Observer" for the Korean claims negotiations will need to be designated, since the unfortunate death of John Furlley-Smith leaves us without diplomatic representation on the United Nations Negotiating Team. We have asked London to consider this point.

(B. Greenhill).

/COPY

BCFK (2)

30 Apr 56

Subject: KOREAN CLAIMS NEGOTIATIONS

1. Lt. Col. RILEY of HQ UNC has now had time to consider the collated comments by Commonwealth Diplomatic Missions.

2. His views are as follows:-

(a) Article I (1)

He does NOT agree with the suggestion to substitute the phrase "United Nations Command" for "Unified Command", as it is the latter which embraces all those nations which took part in the conflict.

(b) Article I (2), (3), (4) & (6)

Agreed.

(c) Article I (5)

NOT agreed. The definition of "property" should be as exact as possible.

(d) Article II

Agreed. Article will be redrafted.

(e) Article III (1)

NOT agreed. He considers the wording to be quite clear and not capable of misinterpretation.

(f) Article IV

Lt. Col. RILEY is concerned in his own mind regarding the wording of this article. He will take the Commonwealth suggestions into consideration when redrafting.

(g) Article V

Agreed.

(h) Article VI

NOT agreed. This article should stand in view of the ROK claim that the Unified Command had, in the past, indicated a willingness to pay.

3. It will be seen that Lt. Col. RILEY is, in the main, in agreement with the suggestions made by the Commonwealth Missions.

(sgd.) R.A.stC. Macmillan, Major
/- Lt. Col
Cmd.

(R. A. St.C. MACMILLAN)

Foreign Office Comments

O.K. (a) Article I(1): We think Colonel Riley has not entirely taken our point. If it is clear that the term "Unified Command" is the appropriate one for the purpose of the draft Agreement, i.e. to include not merely "all those nations which took part in the conflict" in the sense of sending troops to Korea but also six who sent "other assistance" - Denmark, Germany, India, Italy, Norway and Sweden - we can accept the term and its definition. We go on to say, however, that, provided the term is defined as above, we should like to see it used throughout the draft instead of the rather clumsy "the United States of America, acting in its capacity as the Unified Command, on its own behalf, etc....."

O.K. (b) Article I (2)(3)(4) and (6): No comment.

O.K. (c) Article I (5): We do not altogether like the wording of this clause, but we are prepared to accept it if Colonel Riley feels that it should be retained.

O.K. (d) Article II: No comment.

O.K. (e) Article III (1): We still think there is a danger of the present wording being mis-interpreted and we are glad to see that Brigadier Alderson is to return to the charge. It is also perhaps worth noting that Article III(3) is open to the same objection.

✓ (f) Article IV: Subject to the point made in (g) below - on Article V - we are content to await the redraft of this Article. But we should want any redraft to be consistent with our point on Article V.

✓ (g) Article V: We note that Colonel Riley has accepted the Commonwealth proposals; but, after full consideration, we are not ourselves entirely happy about the proposed redraft of this Article (or of the corresponding amendment to Article IV(1)). We think that they are almost certain to be unacceptable to the Koreans and while we should not expect the Republic of Korea to object to our paying sterling, we might want to ask them to accept hwan; but in any case it is a bit much to ask them to accept Colombian pesos and Thai ticals. If the United Nations Command have no objection, we should like to return to the suggestion we made in paragraph 2(d) of our telegram No. 3 of January 6, namely, that "currency of payments shall be determined by agreement between the Republic of Korea and the other nation concerned". Article V could then remain substantially as in the original draft, the only alterations which we would suggest being the deletion of the last six words (to which Colonel Riley has already agreed) and the deletion of the word "official" before "military conversion rate". We suggest this in order to avoid confusion between the "official rate" and the "military conversion rate". It might be useful if, in addition, the term "military conversion rate" could be among those defined in Article I. With regard to the last six words of Article V, you will have noted that, presumably in error, they were included twice in the draft amendment put forward in Commonwealth comment (b) on the Article, although comment (a) suggested that they should be deleted.

✓ (h) Article VI: We still think the Commonwealth comment was justified and that Colonel Riley's reply misses the point. But we do not wish to press the point if he feels strongly that the Article should be retained.

/COPY

UNITED NATIONS NEGOTIATING TEAM
Office of the Senior Negotiator

16 June 1956

MEMORANDUM FOR RECORD:

SUBJECT: Settlement of Claims and Accounts in Korea

1. At 1130 hours, 14 June 1956, I, as Senior Negotiator for the Unified Command, accompanied by Colonel Ingran, Executive Secretary of the Negotiating Team, met with Mr. Kim Hyun Chul, Minister of Reconstruction, ROK, on the subject of settlement of claims and accounts. Mr. Kim who was formerly the Minister of Finance, ROK is being continued as the ROK representative for the settlement of claims and accounts in Korea. Mr. Kim Il Hwan, Minister of Commerce and Industry, ROK, was also present during the discussion and participated therein.

2. In accordance with oral instructions, received by telephone from Major General E. G. Farrand, Deputy Chief of Staff, Headquarters, AFPE/8A (Rear) on 13 June, I informed Minister Kim I had been authorised to propose that negotiations for the settlement of claims and accounts in Korea would be restricted to the field of utilities services and real estate connected therewith. I emphasised that this proposal specifically excluded the discussion of real estate as such from the negotiations. Further, that the withdrawal of considerations concerning the broad field of real estate, was proposed in order to limit the negotiations to utility services and real estate connected therewith. I explained that this action was taken in an effort to reach agreement that the ROK Government would waive its claims and accounts and the Unified Command its offsets in these fields. I stated that when the mutual waiver of claims was agreed to, arrangements for settlement, on a current basis, for utility services furnished elements of the Unified Command by the ROK would be entered into.

3. Mr. Kim Hyun Chul repeated the same argument he has presented several times before, that Korea is a poor country; that the ROK Government considered that all Unified Command expenditures were on a grant basis; and that the refusal of the United States to reimburse the ROK utilities companies or the ROK Government for the expenditures was unfair. I emphasised that I was not representing the United States but rather the Unified Command and that this entire problem involved all the sixteen nations contributing forces and field hospitals to the war effort--not just the United States. I made it abundantly clear that none of the nations could possibly entertain any thought of reimbursing ROK utilities companies or the ROK Government for their expenditures in addition to the efforts, materials, services and men these nations had contributed to the Korean conflict and in the rehabilitation of utility facilities.

4. During the conversation, Mr. Kim Il Hwan, Minister of Commerce and Industry, and Mr. Kim Hyun Chul, Minister of Reconstruction, conversed for two or three minutes in Korean. Unfortunately, I had no interpreter and therefore, do not know what was said, but it is my impression that Minister Kim Il Hwan favoured accepting my proposal.

5. I informed Minister Kim Hyun Chul that failure to reach agreement that the ROK Government and Unified Command waive all claims, one against the other, had already resulted in considerable loss in

/revenues

revenues for utility services. I repeated that the Unified Command was anxious to get on a "pay-as-you-go" basis for utility services supplied them and that agreement to waive past claims and accounts was a pre-requisite to such action. Minister Kim Hyun Chul assumed a conciliatory attitude and requested that the proposal I had made orally be given him in writing in order that he might present it to the ROK Cabinet.

6. I agreed to present the proposal in writing and requested that he inform me, by letter, of the Cabinet's decision in the matter. I pointed out that if the decision was not a clear-cut acceptance, he should include in his letter any definite proposal which the Cabinet desired to make. I reminded him that any major deviation from the proposition made would result in further delay. I urged that both he and Minister Kim Il Hwan exert every possible influence to have the proposal accepted in order that new arrangements for settlement of utility services supplied United Nations Forces on a "pay-as-you-go" basis could be entered into.

7. While it is impossible to forecast the decision of the Cabinet, I do feel that there is some basis for optimism. I am inclined to believe that waiver of claims, up to the date when the last power barge departed from Korea, might be suggested by the ROK. If the decision is favourable, the next step will be to negotiate the basic agreement binding the Unified Command and the ROK Government to waiver of claims and accounts in the field of utility services and real estate connected therewith. When such an agreement is signed, new arrangements for utility services on a "pay-as-you-go" basis may commence.

(signed)

JOHN W. HARMONY
Major General, United States Army
Senior Negotiator.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

TO: THE CANADIAN EMBASSY, TOKYO

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

Security: CONFIDENTIAL

No: L- 355

Date: June 18, 1956

Enclosures:

Air or Surface Mail: Air

Post File No: 210-7-13

Reference: Your letters No. 347 of April 25 and 355 of April 27, 1956

Subject:

Korean Claims Negotiations

Ottawa File No.
50069-M-40

JUN 26 1956

References

The Departments of National Defence and Finance have no further comment to offer on the paper collating preliminary Commonwealth comments on the draft claims agreement prepared by AFPE/8th army. They assume, however, that when a "second" draft is produced by the Americans an opportunity will be afforded for them to comment on it. Meanwhile, they think that the question of the use of the word "nationals" in Article III of the draft could be left in abeyance.

2. We agree with the viewpoint in paragraph 2 of your letter No. 355 that Canada need take no initiative in proposing a change in the terms of reference of Brigadier Alderson if the appointment of Commander-in-Chief BCFK comes to an end. As you have suggested it would seem appropriate for the Australians to make the first proposals in this regard.

Under-Secretary of State
for External Affairs

Internal
Circulation

Distribution
to Posts

NO.	INIT.
2 AMBASSADOR	
NEWTON	m
HALSTEAD	
3 RETTIE	
ROBERTSON	
LALANDE	
MISS CURRIE	

210-7-13

to be returned with
relevant file
21

UNITED NATIONS NEGOTIATING TEAM
(ROK CLAIMS AND ACCOUNTS)
Office of the Senior Negotiator
APO 301

16 June 1956

Dear Colonel Elwood:

Attached here-to is a memorandum for the record signed by Major General John W. Harmony, USA, Senior Negotiator. This memorandum records the substance of General Harmony's discussions with Mr. Kim Hyun Chul, ROK Minister of Reconstruction, the ROK representative for the settlement of claims and accounts in Korea. These discussions were held in Mr. Kim's office on 14 June 1956.

Sincerely,

Lionel R. Ingram

LIONEL R. INGRAM
Colonel CE

Representative of the
Senior Negotiator

1 Incl
a/s

Colonel Eric D. Elwood, MBE, CD
Canadian Liaison Group
c/o Chief, United Nations Liaison Section
Hq, United Nations Command
APO 500

Mr. Lalonde
I wd suggest you
send copies of this
to Ottawa with any
comments you think
necessary.
J.H.

NO.	INIT.
4	AMBASSADOR
	NEWTON
2	HALSTEAD
3	RETTIE
	ROBERTSON
	LALANDE
	MISS CURRIE

5 Col Elwood file.

Same material
attached to
letter of June 28/1956
from British Emb.
Telegram sent
to Ottawa on
June 30, 1956
JH

UNITED NATIONS NEGOTIATING TEAM

Office of the Senior Negotiator

MEMORANDUM FOR RECORD:

16 June 1956

SUBJECT: Settlement of Claims and Accounts in Korea

1. At 1130 hours, 14 June 1956, I, as Senior Negotiator for the Unified Command, accompanied by Colonel Ingram, Executive Secretary of the Negotiating Team, met with Mr. Kim Hyun Chul, Minister of Reconstruction, ROK, on the subject of settlement of claims and accounts. Mr. Kim who was formerly the Minister of Finance, ROK is being continued as the ROK representative for the settlement of claims and accounts in Korea. Mr. Kim Il Hwan, Minister of Commerce and Industry, ROK, was also present during the discussion and participated therein.

2. In accordance with oral instructions, received by telephone from Major General E. G. Farrand, Deputy Chief of Staff, Headquarters, AFTE/8A (Rear) on 13 June, I informed Minister Kim I had been authorized to propose that negotiations for the settlement of claims and accounts in Korea would be restricted to the field of utilities services and real estate connected therewith. I emphasized that this proposal specifically excluded the discussion of real estate as such from the negotiations. Further, that the withdrawal of considerations concerning the broad field of real estate, was proposed in order to limit the negotiations to utility services and real estate connected therewith. I explained that this action was taken in an effort to reach agreement that the ROK Government would waive its claims and accounts and the Unified Command its offsets in these fields. I stated that when the mutual waiver of claims was agreed to, arrangements for settlement, on a current basis, for utility services furnished elements of the Unified Command by the ROK would be entered into.

3. Mr. Kim Hyun Chul repeated the same argument he has presented several times before, that Korea is a poor country; that the ROK Government considered that all Unified Command expenditures were on a grant basis; and that the refusal of the United States to reimburse the ROK utilities companies or the ROK Government for the expenditures was unfair. I emphasized that I was not representing the United States but rather the Unified Command and that this entire problem involved all the sixteen nations contributing forces and field hospitals to the war effort--not just the United States. I made it abundantly clear that none of the nations could possibly entertain any thought of reimbursing ROK utilities companies or the ROK Government for their expenditures in addition to the efforts, materials, services and men those nations had contributed to the Korean conflict and in the rehabilitation of utility facilities.

MEMORANDUM FOR RECORD:

16 June 1956


SUBJECT: Settlement of Claims and Accounts in Korea

4. During the conversation, Mr. Kim Il Hwan, Minister of Commerce and Industry, and Mr. Kim Hyun Chul, Minister of Reconstruction, conversed for two or three minutes in Korean. Unfortunately, I had no interpreter and therefore, do not know what was said, but it is my impression that Minister Kim Il Hwan favored accepting my proposal.

5. I informed Minister Kim Hyun Chul that failure to reach agreement that the ROK Government and Unified Command waive all claims, one against the other, had already resulted in considerable loss in revenues for utility services. I repeated that the Unified Command was anxious to get on a "pay-as-you-go" basis for utility services supplied them and that agreement to waive past claims and accounts was a pre-requisite to such action. Minister Kim Hyun Chul assumed a conciliatory attitude and requested that the proposal I had made orally be given him in writing in order that he might present it to the ROK Cabinet.

6. I agreed to present the proposal in writing and requested that he inform me, by letter, of the Cabinet's decision in the matter. I pointed out that if the decision was not a clear-cut acceptance, he should include in his letter any definite proposal which the Cabinet desired to make. I reminded him that any major deviation from the proposition made would result in further delay. I urged that both he and Minister Kim Il Hwan exert every possible influence to have the proposal accepted in order that new arrangements for settlement of utility services supplied United Nations Forces on a "pay-as-you-go" basis could be entered into.

7. While it is impossible to forecast the decision of the Cabinet, I do feel that there is some basis for optimism. I am inclined to believe that waiver of claims, up to the date when the last power barge departed from Korea, might be suggested by the ROK. If the decision is favorable, the next step will be to negotiate the basic agreement binding the Unified Command and the ROK Government to waiver of claims and accounts in the field of utility services and real estate connected therewith. When such an agreement is signed, new arrangements for utility services on a "pay-as-you-go" basis may commence.


JOHN W. HARMONY
Major General, United States Army
Senior Negotiator

TRANSMITTAL SLIP

TO: The Canadian Embassy, TOKYO, Japan.

Security: **CONFIDENTIAL**

Date: May 25, 1956.

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

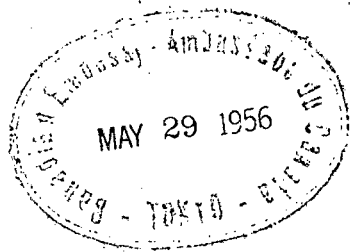
Air or Surface: Air

No. of enclosures.

The documents described below are for your information.

Despatching Authority: D.L.(1)/K.C. Brown/cp

210-7-13

Copies	Description	Also referred to:
1-	Copy of Major P.E. Gower's Terms of Reference. 	

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

HQTS 2719-34/178 Vol 2
HQTS 1981-34/178 Vol 17
(DMO&P)

22 May 56

CONFIDENTIAL

TERMS OF REFERENCE

TO: Major PE Gower, MC, QOR of C
Canadian Representative,
Participating Nations Advisory Group,
United Nations Command, Military
Armistice Commission, Korea.

1. These Terms of Reference supersede those issued to Major EV Stewart, CD, under HQTS 1981-34/178 Vol 2 (DMO&P), dated 3 Jun 55.
2. You have been appointed Canadian Representative with the Participating Nations Advisory Group, United Nations Command, Military Armistice Commission, Korea, and will be attached for duty as such to the Canadian Military Mission, Far East.
3. Your tasks, in general terms, are as follows:
 - (a) To assist the United Nations Command, Military Armistice Commission on all matters affecting Canadian Forces and Canadian nationals in Korea.
 - (b) To act as liaison officer between the United Nations Command, Military Armistice Commission, and the Commander, Canadian Military Mission, Far East.
 - (c) To assist the United Nations Command, Military Armistice Commission in investigating any violations of the Armistice Agreement involving Canadian Forces and Canadian nationals in Korea.
 - (d) To keep the Commander, Canadian Military Mission, Far East, informed of all matters of political and military interest to Canada concerning implementation of the Armistice Agreement, the military and the political situation in and near the demilitarized zone and other subjects apt to affect these matters.
4. As a member of the Participating Nations Advisory Group, you will take direction from the United Nations Command, Military Armistice Commission on all matters over which they exercise supervisory control, and will report to the Military Armistice Commission in such manner and form as they may prescribe on whatever specific duties are assigned to you.

NO.	633
AMERICAN	
NEWTON	
HALSTEAD	
RETTIE	
ROBERTSON	
LELANDE	
MISS CURRIE	

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27

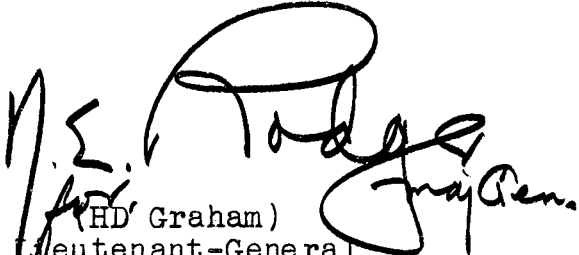
CONFIDENTIAL

CONFIDENTIAL

- 2 -

CONFIDENTIAL

5. On Armistice Commission matters affecting Canadian Forces and Canadian nationals you will report to the Commander, Canadian Military Mission, Far East.
6. To facilitate the discharge of your task at paragraph 3(d) above, the Commander, Canadian Military Mission, Far East, has been requested to authorize you to visit Tokyo as frequently as you consider necessary, for consultation with officers of the Military Mission and officials of the Canadian Embassy. Such visits will permit a fuller exchange of information than is possible in writing on the subjects mentioned in these terms of reference.
7. Your reports on the Korean situation should cover, in particular, the functioning of the Armistice machinery (namely, the Military Armistice and the Neutral Nations Supervisory Commission) and its suitability for dealing with the problems of a prolonged Armistice.
8. Hearsay information and speculative opinions will come to your attention as well as substantiated facts. You will nevertheless report all matters of apparent importance, confirmed or otherwise, indicating as necessary the reliability of the information and including any comments and suggestions you consider appropriate on the basis of your own local knowledge.
9. Further instructions as to the nature of your duties may be issued to you by Commander, Canadian Military Mission, Far East.
10. These Terms of Reference will become effective the date you assume your appointment as Canadian Representative, Participating Nations Advisory Group, United Nations Command, Military Armistice Commission, Korea.


(H.E. Graham)
Lieutenant-General
Chief of the General Staff

For Information

Chairman, Chiefs of Staff (1)
Commander, CMMFE (1)
→ Department of External Affairs (4)
(Defence Liaison Division)

CONFIDENTIAL

~~24050~~
210-7-13

Tokyo, May 15, 1956.

Thank you very much for
your letter of May 8th, with which you
forwarded a copy of the signal sent to
the Joint Chiefs of Staff Melbourne on
the revision of the Directive to the Common-
wealth Representative.

Lieutenant General R. Bierwirth, C.B.E.,
Commander-in-Chief,
British Commonwealth Forces Korea,
British Army Post Office No. 5.

From: Lieutenant General R. Bierwirth CBE



HEADQUARTERS

BRITISH COMMONWEALTH FORCES KOREA

BRITISH ARMY POST OFFICE No. 5

INDEXED



DO/182

8 May 1956

ack

My dear Ambassador,

You will recall that at our meeting on Thursday 19th April in the British Embassy the point was raised that after 1 July this year the appointment of Commander-in-Chief BCFK would come to an end, and that consequently Brigadier Alderson's position in the Korean Claims Negotiating Team would change.

... In accordance with paragraph 4 of the record of the meeting I have signalled to the Joint Chiefs of Staff Melbourne inviting them to advise Commonwealth Governments of the need for a revision of the Directive to the Commonwealth Representative. I enclose a copy of my signal.

I have written similarly to your colleagues.

Yours sincerely
R. Bierwirth

Lieutenant General
Commander-in-Chief
British Commonwealth Forces Korea

NO.	INIT.
1	NEWTON
2	REITHE
	ROBERTSON
3	LATANDE
	MISS CURRIE

file m

His Excellency The Honourable T.C. Davis,
Canadian Embassy,
Tokyo.

CONFIDENTIAL

MESSAGE FORM

KB 1048 - 8 G

PRECEDENCE-ACTION
PRIORITY

PRECEDENCE-INFO
PRIORITY

DATE-TIME GROUP
07 0410 Z

FROM BRITCOM JAPAN

SECURITY CLASSIFICATION

TO DEFENCE MELBOURNE

CONFIDENTIAL

INFO TROOPERS
DEFENSOR OTTAWA
DEFENDER WELLINGTON
CANMILMIS
BRICOSAT

MA/tb 0 An/C/
MA

ORIGINATOR'S NUMBER

KB 60 G

KOREAN claims negotiations (.) ref agreed directive to COMMONWEALTH

REPRESENTATIVE on the UN Negotiating Team (.)

FIRST (.) para THREE of ref states QUOTE the COMMONWEALTH representative will report to the Commander-in-Chief BCFK, who will forward such reports together with any comment he may wish to make to the UK cmm CANADIAN and AUSTRALIAN Embassies and to the NEW ZEALAND Legation in TOKYO (.) UNQUOTE (.)

SECOND (.) para SIX defines the channels of communication from COMMON EALTH governments through Commander-in-Chief BCFK and by the UK Embassy TOKYO cmm to the COMMONWEALTH representative (.)

THIRD (.) will you please invite COMMONWEALTH Governments to take note that ALFA (.) on 1 July 1956 the appointment of Commander-in-Chief BCFK lapses in accordance with the withdrawal plan for COMMONWEALTH forces from JAPAN and the position of BRIGADIER ALDERSON the COMMONWEALTH representative on the UN team will need redefinition and revised terms of reference for him should be agreed by that date (.)

BRAVO (.) should the negotiations continue beyond the date when the last troops leave JAPAN in January 1957 then an alternative form of COMMONWEALTH representation should be agreed in time to be effective /

DRAFTER'S NAME

RELEASING OFFICER'S SIGNATURE

MAJOR P.A.E. JONES GSO 2

CONFIDENTIAL

07 May 56

001023

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 No. 328 of April 18, 1956

Subject: Korea Claims Negotiations

Security: CONFIDENTIAL

No: 355

Date: April 27, 1956

Enclosures:

Air or Surface Mail: Air

Post File No: 210-7-13

Ottawa File No.

References

At a meeting of the Heads of Commonwealth Missions concerned on April 19 (our preceding letter refers), the question of Korean Claims Negotiations was briefly mentioned. The relevant excerpt from the agreed record of this meeting is as follows:

" It was brought to the notice of the meeting that Brigadier Alderson, who had been appointed Commonwealth representative on the United Nations Negotiating Team, was responsible in this capacity to the C.-in-C., B.C.F.K. When command over the residual forces in Japan was transferred to F.A.M.U.S.F., on July 1, 1956, and the appointment of C.-in-C., B.C.F.K. came to an end, Brigadier Alderson's position must therefore change.

" It was agreed that this point should be brought to the notice of the Commonwealth Governments concerned, and that they should be asked whether some alteration in the terms of reference of their representative on the U.N. Negotiating Team would not be required."

2. It seems to us that the solution to this procedural problem of Brigadier Alderson's terms of reference after the appointment of Commander-in-Chief, B.C.F.K. comes to an end is for the Australian authorities to propose in the first instance, and that we need take no initiative.

Internal
Circulation

Distribution
to Posts

T. F. ALDERSON

The Embassy

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

NUMBERED LETTER

CONFIDENTIAL

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

FROM: The Canadian Embassy,
Tokyo, Japan.

Reference: Your Letter No. L-130 of February
24, 1956

Subject: Korean Claims Negotiations

Security:

No: 347

Date: April 25, 1956

Enclosures: 1

Air or Surface Mail: Air

Post File No: 210-7-13

Ottawa File No.

References

I am attaching for your information and consideration by the Department of National Defence and the Department of Finance a copy of a self-explanatory letter from the British Embassy dated April 21, 1956, covering a paper collating preliminary Commonwealth comments on the Draft Claims Agreement prepared by AFPE/8th Army. You will note that most of the comments made in the attachments to your letter under reference have been incorporated in this paper, with the exception of the Department of Finance's reserve on the use of the word "nationals" throughout Article III, since the other Commonwealth representatives could see no harm for us in using it in the text. Should the Department of Finance still wish to have it replaced by some more restrictive terminology, we shall be glad to discuss with our Commonwealth colleagues any alternative which may be suggested, together with any other comments you may wish to send us.

Internal
Circulation

T. F. M. NEWTON

The Embassy

Distribution
to Posts

CONFIDENTIAL -L



(1193/1/31/56)

April 21, 1956.

WITH THE COMPLIMENTS
OF
CHANCERY

(Mr. B. Greenhill)

~~Mr. J. Halstead,~~
~~Canadian Embassy,~~
TOKYO.

BRITISH EMBASSY,
TOKYO.

Mr. Lalonde -
for disposition
Ottawa
referred to
please file
J.H.

001026

210-7-13

BRITISH EMBASSY,

TOKYO.

April 21, 1956.

CONFIDENTIAL

(1193/1/31/56)

Dear Brigadier Alderson,

At our meeting on April 3 when we discussed, among other subjects, the draft agreement on Korean claims, we agreed that the comments so far received from the Commonwealth Governments should be collated and passed on to the Eighth Army. It was also agreed that you would warn Colonel Reilly in advance that the Commonwealth had a number of comments on the draft and that these would be sent to him as soon as possible.

2. We have not yet had final comments from Commonwealth Governments on the various points which have been raised on the draft, but I understand that you are very anxious to let Colonel Reilly have some indication of Commonwealth views. I therefore attach a note of the comments on which there would seem to be broad agreement between the Commonwealth Governments, which you may care to pass on to him at this stage. I should, however, make it clear, on behalf of ourselves and the other Commonwealth representatives concerned, that the Commonwealth Governments, who have not yet had a chance to consider each other's comments fully, may have further points to raise in due course; and I should be grateful if you would ensure that the Eighth Army appreciates this point. Nevertheless I think the attached note covers most of the ground, and I think it would be useful to have the American views on it.

3. I am sending copies of this letter to John Halstead of the Canadian Embassy, Dick Austin of the Australian Embassy and Rex Cunninghame of the New Zealand Legation.

(B. Greenhill)

Brigadier B. E. Alderson,
Headquarters,
B.C.F.K.,
Kure,
B.A.P.O. 5.

CONFIDENTIAL

KOREAN CLAIMS NEGOTIATIONS

Preliminary Commonwealth Comments on Draft Agreement
prepared by U.S. Eighth Army

ARTICLE I

- I (1) The definition of "Unified Command" is not subsequently used in the body of the agreement in the sense of the definition except in the first sentence of Article IV(1). However, it is for consideration whether "United Nations Command" would not be a more appropriate phrase; (cf. the Agreed Directive to the C-in-C., U.N. Command).
- I (2) The expression "claims and accounting" is defined but never used in the Agreement. It would seem that the expression needing definition is "claims and accounts".
- I (3) "Utility services" is used in various slightly different forms throughout the draft.
- I (4) It is suggested that the definition of "utility" is unnecessary and could be omitted without loss.
- I (5) It is suggested that the definition of "property" might be simplified.
- I (6) The definition of "New Arrangements" in this paragraph seems to conflict with the use of this phrase in Article IV(1). It is suggested that it would avoid misunderstanding if this definition were deleted. (See also comment (b) below on Article IV(1).)

ARTICLE II

It is suggested that this Article as drafted might give rise to misunderstanding as to what is to be paid for and what is not, and some clarification and expansion is considered necessary.

ARTICLE III

- III (1) It seems doubtful whether the phrasing of this paragraph makes it clear that a waiver is given by the R.O.K. of claims and accounts for utilities services, etc. both against the Unified Command, representing Governments, and against the Governments themselves. Could not the waiver provisions be so interpreted as to apply only to those claims and accounts against governments for utilities services, etc. which have been arranged through or by the United States acting in its capacity as the Unified Command?

ARTICLE IV

- IV (1) (a) As a general comment, it is suggested that the wording of this paragraph could perhaps be simplified in order to avoid possible misunderstanding.
- (b) It would seem that the wording "..... agrees to settle all claims and accounts arising under existing formal contracts..." goes somewhat further than the Agreed Directive which
/contemplated

2.

contemplated payment for such services (prior to the effective date of the Agreement) only "to the extent that payment has already been made" It may be that the practical effect of the two formulae would not be significantly different, and in any case it is appreciated that the U.N. side might be open to a charge of breach of faith if the wording of the directive was used. Nevertheless it would be appreciated if information could be provided about the contracts to which this reference would apply and if possible an estimate of financial liability.

- (c) It is suggested that "incident to the maintenance" should be amended to "requested and actually received by them for the maintenance" (of. Agreed Directive).
- (d) This paragraph does not appear to make provision for the offset arrangements to be applied between the R.O.K. and each nation other than the United States furnishing material, etc. An amended paragraph on the following lines is suggested to meet this point:-

The Unified Command agrees the governments of the nations furnishing the materials, supplies, equipment and services may elect to offset amounts owed to them by R.O.K. against amounts due R.O.K. by them for utility services furnished under existing and new arrangements. Any amounts due to the United States or any other government in payment for material, supplies, equipment and service furnished to R.O.K. by the United States or by any other government and any amounts due the R.O.K. by the United States or any other government for utility services under future offset arrangements will be established in the case of the U.S., in U.S. dollar values and in the case of any other nation, in the currency of that nation, to be determined in accordance with Article V of this agreement.

- IV (2) It would seem that strictly this paragraph is redundant in view of the drafting of Article III. Nevertheless it is appreciated that there is much to be said for bringing out very clearly the U.N. position that no payment is to be made for real property used at any time, before or after the effective date of the agreement.

- IV (3) It is requested that this paragraph be amended so as to provide that no Government shall be charged for utility services at rates less favourable than those charged to any other Government. Further, it is requested that the comparison should be with "any other consumer" rather than with "R.O.K. governmental agencies" (of. Agreed Directive). A re-draft on the following lines is suggested to meet these points:-

.... in all cases, the United States of America and the governments of those nations furnishing military forces and other assistance to the Unified Command shall be charged the same rates for utility services and these rates shall be no less favourable than those charged to any other consumer.

ARTICLE V

- (a) It is requested that the last six words be deleted since there is no intention of paying for any real property whenever occupied or used.

3.

- (b) If Article IV(1) is amended on the lines suggested above (comment (d)) Article V would also need amendment on the following lines:-

It is agreed that the value of the Korean currency to be used in computing the U.S. dollar value of claims under this Agreement shall be the official military conversion rate at the time the services were rendered or real property occupied or used, and in computing the value of claims in terms of the currency of any other of the Governments of those nations furnishing military forces and other assistance to the Unified Command, the official military conversion rate at the time the services were rendered or real property occupied or used adjusted to take into account the official rate of exchange between the U.S. dollar and the currency in which the value of the claims is to be expressed.

ARTICLE VI

It is suggested that this Article is unnecessary in view of the terms of Article III. To include it might suggest that the U.N. Command having made certain commitments is now trying to evade them.

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: Your letter L130 of February 24, 1956

Subject: Korean Claims Negotiations

Security: CONFIDENTIAL
No: 328
Date: April 18, 1956
Enclosures: 1
Air or Surface Mail: Air
Post File No: 210-7-13

Ottawa File No.

References

The comments contained in the attachment to your letter under reference were passed to the other Commonwealth Missions concerned and to B.C.F.K. Since then, the United Kingdom and New Zealand have produced one or two comments and the next step will be to attempt to coordinate these views here, before seeking your approval of a revised text for submission to AFTE/8th ARMY.

2. Brig. Alderson of B.C.F.K. visited Tokyo recently and the opportunity was taken to discuss with the Commonwealth Missions concerned a number of subjects of common interest. The meeting was held at the British Embassy. A record of that part of the discussion which dealt with the Korean Claims Negotiations is attached for your information.

Internal
Circulation

J. G. H. MALSTEAD

The Embassy

Distribution
to Posts

C O P Y

CONFIDENTIAL

Record of a Meeting held in the British Embassy
at 3.30 p.m. on Tuesday, April 3, 1956

Korean Claims Negotiations

Brig. Alderson of B.C.F.K. said that comments had now been received from the United Kingdom, Canadian and New Zealand Governments on the draft agreement which had been prepared by the United States Eighth Army, and he thought it could be taken that the Australian Government would have none. He therefore proposed that, after the various comments had been collated, he should present them to Colonel Riley of U.N. Command as the Commonwealth comments.

Mr. Henley of the British Embassy said he would first like to discuss the status of the draft. It elaborated the requirements of the Agreed Directive and thus represented the final objective of the U.N. side. As such a basic document it should surely have been properly agreed among all the Governments concerned. In fact, however, the draft clearly needed amendment in various respects and he was concerned about the use to which it would have been put if the negotiations had gone ahead in December instead of reaching an immediate deadlock.

Brig. Alderson said that the draft was only a cockshy which had been prepared by the Americans so that they would not be caught unprepared if the negotiations had made better progress. It had not been cleared with Washington. If the negotiations had gone ahead in December there would of course have been more need for urgency in agreeing the draft.

Mr. Furley-Smith of the British Embassy said that if the Koreans had accepted all the principles of the Agreed Directive and negotiations had proceeded in December, it was evident from subsequent developments that the talks would have been held up while Commonwealth Governments commented on the draft.

Mr. Giffard of the British Embassy said that it now seemed likely that the Agreed Directive would be altered and that a new agreement would therefore have to be drafted. It would save time and trouble if Commonwealth representatives were associated from the outset with any such redrafting.

Brig. Alderson said this had never been envisaged; provision had been made for Commonwealth representation on the negotiating team, and Commonwealth views would thus be assured of consideration.

Mr. Henley said he thought it must be assumed for the present that the Governments concerned would maintain their original line and that the Agreed Directive would not therefore be substantially altered. On this assumption it was worth using the time available to try to get the draft agreement revised into some more satisfactory form.

After discussion it was agreed:

- (i) that the various comments made by the Commonwealth Governments should be collated and, if necessary, any points of difference which might emerge should be cleared up by further reference to those Governments;
- (ii) that Brig. Alderson should tell Colonel Riley on the following day that the Commonwealth wished to make a number of comments on the draft agreement, and that these would be sent to him as soon as possible;
- (iii) that if any of the Commonwealth representatives heard of any developments bearing on the resumption of negotiations they should inform the others at once.

British Embassy,
Tokyo.

CONFIDENTIAL

(1191/50/56)

April 12, 1956.



WITH THE COMPLIMENTS
OF
B. GREENHILL,
HER BRITANNIC MAJESTY'S EMBASSY.

*Mr. Lalonde
+ file
JH.*

Mr. J.G.H. Halstead,
Canadian Embassy,
Tokyo.

*NB: Copies have
been sent to
Ottawa*

001033

210-7-13
File #

CONFIDENTIAL

BRITISH EMBASSY,
TOKYO.

(1191/50/56)

April 12, 1956.

I enclose two copies of a brief record of the meeting we called when Brigadier Alderson was in Tokyo last week. Would you please forward one of them to him?

2. I am sending one copy each to John Halstead, Rex Cunninghame and Dick Austin under copies of this letter. We shall shortly have to call a further meeting to discuss the re-drafting of the Draft Agreement on Korean Claims to incorporate the comments of Commonwealth Governments. We will first prepare a version incorporating all the amendments. When we have done this I will let you know.

(B. Greenhill).

Major A. St. C. Macmillan,
Headquarters,
Britcom Sub-Area,
Ebisu Camp,
Tokyo.

001034

CONFIDENTIAL

Record of a meeting held in the British Embassy
at 3.30 p.m. on Tuesday, April 3, 1956

Present:

Mr D. O. Henley	British Embassy (in the Chair)
Mr E. Greenhill	" "
Brigadier B. E. Alderson	B.C.F.K.
Major A. St. C. Macmillan	"
Major W. J. Crosby	"
Mr J. G. H. Halstead	Canadian Embassy
Mr G. Lalonde	" "
Mr R. R. Cunninghame	New Zealand Legation
Mr C. S. R. Giffard	British Embassy
Mr J. M. Furley-Smith	" "

Korean Claims Negotiations

1. Brigadier Alderson said that comments had now been received from the United Kingdom, Canadian and New Zealand Governments on the draft agreement which had been prepared by the United States Eighth Army, and he thought it could be taken that the Australian Government would have none. He therefore proposed that, after the various comments had been collated, he should present them to Colonel Riley of U.N. Command as the Commonwealth comments.
2. Mr Henley said he would first like to discuss the status of the draft. It elaborated the requirements of the Agreed Directive and thus represented the final objective of the U.N. side. As such a basic document it should surely have been properly agreed among all the Governments concerned. In fact, however, the draft clearly needed amendment in various respects and he was concerned about the use to which it would have been put if the negotiations had gone ahead in December instead of reaching an immediate deadlock.
3. Brigadier Alderson said that the draft was only a cockshy which had been prepared by the Americans so that they would not be caught unprepared if the negotiations had made better progress. It had not been cleared with Washington. If the negotiations had gone ahead in December there would of course have been more need for urgency in agreeing the draft.
4. Mr Furley-Smith said that, if the Koreans had accepted all the principles of the Agreed Directive and negotiations had proceeded in December, it was evident from subsequent developments that the talks would have been held up while Commonwealth Governments commented on the draft.
5. Mr Giffard said that it now seemed likely that the Agreed Directive would be altered and that a new agreement would therefore have to be drafted. It would save time and trouble if Commonwealth representatives were associated from the outset with any such redrafting.
6. Brigadier Alderson said this had never been envisaged; provision had been made for Commonwealth representation on the negotiating team, and Commonwealth views would thus be assured of consideration.

7. Mr Henley said he thought it must be assumed for the present that the Governments concerned would maintain their original line and that the Agreed Directive would not therefore be substantially altered. On this assumption it was worth using the time available to try to get the draft agreement revised into some more satisfactory form.

8. After discussion it was agreed:

(i) that the various comments made by the Commonwealth Governments should be collated and, if necessary, any points of difference which might emerge should be cleared up by further reference to those Governments;

(ii) that Brigadier Alderson should tell Colonel Riley on the following day that the Commonwealth wished to make a number of comments on the draft agreement, and that these would be sent to him as soon as possible;

(iii) that if any of the Commonwealth representatives heard of any developments bearing on the resumption of negotiations they should inform the others at once.

✓ Proposed change of name of B.C.F.K.

9. Brigadier Alderson said he had first heard in a roundabout way ten days previously of the intention to change this name after July 1. He understood that the initiative in this matter had been a political one and, as he did not think the Commonwealth Governments were aware of certain financial implications of such a change, General Bierwirth had authorised him to give his views on those implications to Commonwealth representatives and to seek a preliminary indication of their views on the continued necessity to change the name.

10. Under the U.N. Status of Forces Agreement B.C.F.K. had a number of contracts with Japanese Government and quasi-Government Departments. They were advised that under Japanese law a change in the name or in the "material content of the structure" of a party to a contract automatically rendered the contract null and void. The change in B.C.F.K.'s name would therefore require renegotiation of these contracts, and the Japanese would undoubtedly take the opportunity to modify their terms to B.C.F.K.'s financial disadvantage. This applied particularly to the contracts regarding indigenous labour. In any renegotiation of these it could be taken as virtually certain that the Japanese would insist on

(a) an increase in the scale of retirement benefits;

(b) the payment of one month's pay as an interim retirement benefit when the change of name took place, and the reopening of the question of a similar payment in respect of the change of the method of employment, from Direct to Indirect Hire, which took place in 1954;

(c) provision of 90 days' paid sick leave resulting from off-duty sickness or accidents.

In present circumstances B.C.F.K. would have no negotiating power to resist these concessions, and the total cost of them might amount to as much as £500,000, although this figure was given merely to indicate the possible order of magnitude and must be treated with all reserve.

11. Mr Greenhill said the initiative in proposing the change of name had been military, not political; the main political objection had been to the proposed name of B.C.F.J. The final proposal to change the name to "British Commonwealth Stores Disposal Organisation" had been made following a meeting between General Bierwirth and the Heads of Commonwealth Missions concerned in Tokyo, at which a similar title had been recommended.

12. Major Crosby said he understood General Bierwirth's present impression to be that, while the original initiative had been military, the subsequent consideration of the question had led to the conclusion that on political grounds some change of name was desirable; but it was clear that through some failure of liaison the financial considerations which Brigadier Alderson had outlined had not so far been taken into account at all.

13. Mr Halstead said that before reconsidering the political aspects his Ambassador would wish to know whether from the military point of view there would be any objection to retaining the existing name. * This was endorsed by the U.K. and New Zealand representatives. Mr Greenhill therefore suggested that the meeting should consider whether, at their level, they could see any strong political objections to the status quo. After discussion it was agreed that, while there were some political objections, it seemed indisputable that General Bierwirth ought to refer the matter again to the Heads of Missions in view of the new factor which had just been brought to light. In doing so he would no doubt draw attention to any military objections to retention of the existing name.

Sale of Ammunition

14. Major Crosby said that six weeks previously B.C.F.K. had decided to sell locally some 9,000 tons of unserviceable ammunition. The sale was planned to take place with appropriate safeguards which included the dismantling of the ammunition and were, in fact, more stringent than those observed by the U.S. Forces. The sale was well within the standing instructions from Melbourne on disposal of warlike stores which had been agreed by all Commonwealth Governments concerned. B.C.F.K. had not therefore asked for prior approval from Melbourne; but they had referred incidentally to the proposed sale in a signal about further disposals, and Melbourne had thereupon asked for the sale to be suspended. B.C.F.K. had replied explaining the full circumstances, and they were now waiting for further instructions from Melbourne. In the meantime it was costing \$400 a day to maintain the ammunition depot. They had told the two Japanese firms who had submitted bids (in one case amounting to about £240,000) that the matter was indefinitely postponed.

15. Brigadier Alderson said he had gathered when in Canberra that the prohibition of the proposed sale resulted from the political difficulties over the supply of tanks etc. to the Middle East.

16. Mr Greenhill said the British Embassy had sent two letters to London on the subject, and he hoped they would assist in expediting further government views which would probably come via Melbourne.

Handing-over of Facilities and their Contents

17. Major Crosby said the local Japanese authorities had been pressing for the handing over complete of certain B.C.F.K. installations (a laundry, base workshops, and engineering workshops) so that they could re-employ at once the labour discharged by B.C.F.K. General Bierwirth had taken the line that a decision on

this would be facilitated by discussion between Governments, and the Japanese were therefore now trying to get the Japanese Government to take the matter up.

18. Mr Greenhill said he had received an informal approach from Mr Yasukawa of the Gaimusho, who had asked if the British Embassy would consider seriously a proposal on these lines if one were made. He had replied that it was not a matter which concerned the U.K. Government alone. He believed the Heads of Missions were to discuss the matter.

19. Major Crosby said a decision would have to be reached fairly soon or it would be too late to accept the Japanese proposal. The balance of financial advantage to B.C.P.K. certainly lay in accepting it, and there seemed no objection to the proposal on other grounds.

TRANSMITTAL SLIP

TO: CANADIAN EMBASSY,
TOKYO
FROM: UNDER-SECRETARY OF STATE
FOR EXTERNAL AFFAIRS, OTTAWA

Security... CONFIDENTIAL

Date... April 4, 1956

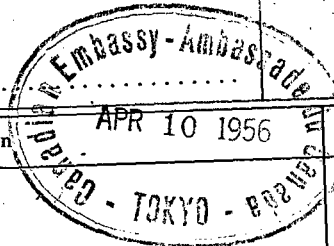
Air or Surface... Air

No. of enclosures... 1

210-7-13

The documents described below are for your information.

Despatching Authority... Legal/W.M.Wood/ms



Despatching Authority		APR 10 1956		Also referred to:																	
Copies	Description	TOKYO - PROC. 10																			
1	Copy of letter dated February 3, 1956 from the Department of National Defence to the Under-Secretary of State re Korean Claims Negotiations.	who is under the T.C.V.																			
	<table><tr><td>NO.</td><td>INIT.</td></tr><tr><td>4</td><td>AMBASSADOR</td></tr><tr><td></td><td>NEWTON <i>m</i></td></tr><tr><td>2</td><td>HALSTEAD</td></tr><tr><td>3</td><td>RETTIE <i>R</i></td></tr><tr><td></td><td>ROBERTSON</td></tr><tr><td>1</td><td>LALANDE <i>gl</i></td></tr><tr><td></td><td>MISS CURRIE</td></tr></table>	NO.	INIT.	4	AMBASSADOR		NEWTON <i>m</i>	2	HALSTEAD	3	RETTIE <i>R</i>		ROBERTSON	1	LALANDE <i>gl</i>		MISS CURRIE	file <i>m</i>			
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001039

INSTRUCTIONS

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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

Department of
National Defence
Canada

OFFICE OF THE DEPUTY MINISTER

OTTAWA

February 3, 1956.

The Under-Secretary of State
for External Affairs,
East Block,
Ottawa, Ontario.

Attn: Mr. Gilles Sicotte

Korean Claims Negotiations

May I refer to your letter of January 23 and to Mr. Plumptre's letter to you of February 1, 1956, concerning letters No.38 of January 10, 1956, and No.15 of January 4, 1956, from the Canadian Ambassador at Tokyo.

This department agrees with the Department of Finance that it is probably desirable that the initiative in meeting the situation, which has resulted from the refusal of the Koreans to accept the essential points of the Unified Command's proposal for the settlement of claims and accounts for utilities services, should be left with the Government of the United States as the nation with the greatest interests involved. We are inclined, also, to agree with the Department of Finance that the issue is primarily political in character, and that your department should, therefore, decide whether or not the conclusion of any kind of agreement with the Koreans should be delayed, or whether past and future claims should be separated and an agreement for the settlement of future claims be negotiated at an early date.

We are not entirely sure, however, that separation of the two aspects of the negotiation would not have a harmful effect on the interests of the nations represented by the Unified Command. It is fairly clear that the Koreans are anxious to obtain an early agreement to permit payment for Korean utilities to be placed on a current basis. This anxiety may well act as a spur to them to accept a mutual waiver of past claims. If the spur is removed by the conclusion of an agreement for future claims, the Koreans would be left in a position where they might feel that they had nothing to gain from a mutual waiver of past claims, and where they would be less inclined even than now to accept such an agreement arguing that there should be only a unilateral

- 2 -

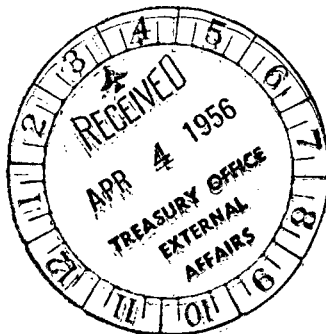
waiver of claim by the United Nations forces. The consequent negotiation to arrange for the settlement of past claims might therefore be an extremely difficult one and unless we were prepared to give considerable ground to the Koreans might act to provoke a relationship between the Koreans and the nations represented by the Unified Command, which would have a more harmful effect politically than would a delay now in reaching agreement on the basis of the proposals made by the Unified Command.

I am sending a copy of this letter to Mr. Plumptre.

(sgd.) G. Y. Loughead

for (F. R. Miller),

Deputy Minister



Вотра - Интэрпол.

100. () () ()

(a) $\frac{1}{2} \pi$ (b) $\frac{1}{4} \pi$ (c) $\frac{3}{4} \pi$ (d) π

I am, Sir, very respectfully,
Your obedient servant,
J. M. Smith

[illegible]

Mr. Lalonde
EL

CONFIDENTIAL

BRITISH EMBASSY,
TOKYO.

(1193/1/26/56)

March 28, 19 56

WITH THE COMPLIMENTS
OF
Mr. B. Greenhill
HER BRITANNIC MAJESTY'S EMBASSY

Mr. E. R. Rettie,
Canadian Embassy,
TOKYO.

001044

2 10-7-1

BRITISH EMBASSY,

TOKYO.

March 28, 1956.

CONFIDENTIAL

(1193/1/26/56)

We have now received comments from London on your Government's views on the draft Korean claims agreement, as set out in your letter of January 11 to me.

2. London agree generally with all the points in your letter, and support especially strongly your points (a) and (e). (The peculiar drafting of Article II of the draft agreement in particular seems to them to offer unnecessary scope for misinterpretation by the Koreans).

3. As regards your point (b), however, while what you say is undoubtedly correct, we have some doubts as to whether it would be wise to attempt to revoke any "existing formal written contracts", even though the directive to United Nations Command at present would require such revocation. The amount of money involved cannot be very large, since presumably where such contracts exist payments are being made fairly promptly and it would only be the odd balances left unpaid when the agreement was signed which would be cancelled; and the attempted revocation would be something difficult to justify and affording splendid scope for mud-slinging by the Koreans. Our feeling is, therefore, that existing contracts should be honoured and that the directive should be amended in this sense.

4. I am copying this letter to Ted Rettie, Dick Austin and Major Macmillan.

(B. Greenhill)

Mr. R. R. Cunningham,
New Zealand Legation,
TOKYO.

5/K/5

Returned w. file please
gl



NEW ZEALAND LEGATION
TOKYO.

21 March 1956

210-7-13

please file
gl

Dear Gilles

We have now received information that Wellington is in agreement with the comments made by London, and conveyed to you in Mr Greenhill's letter of 11 January, on the draft Korean claims agreement prepared by the Eighth Army last December. Wellington considers the comment in sub-paragraph (d) of Mr Greenhill's letter especially useful.

I am writing similarly, for the purposes of record, to Major Macmillan, Sydney Gifford of the British Embassy and Dick Austin of the Australian Embassy.

Yours sincerely,

A handwritten signature in cursive script, appearing to read 'R.R. Cunninghame'.

(R.R. Cunninghame)
First Secretary

Mr Gilles Lalande,
Third Secretary,
Canadian Embassy,
TOKYO.

CONFIDENTIAL

Our File No. 210-7-13

Tokyo, March 13, 1956.

Dear Mr. Greenhill,

We have now received comments and proposed amendments from Canada on the 8th Army draft Korean Claims Settlement Agreement. I am informing you of them for purposes of co-ordination of Commonwealth views on this question, having in mind the possibility that this draft may be used as a basis for the preparation of the final text.

2. The Canadian Government states that the draft agreement seems to conform with instructions given to the negotiating team, but makes the following comments on drafting aspects of the AFPE/8th Army text:

- United Nations Command
appropriate or not?*
- (a) Definitions - The definition of "Unified Command" is not used in the body in the sense of the definition anywhere except in the first sentence of para 1 of Article IV. We cannot see why, for example, the expression "Unified Command" cannot be used in the waiver and indemnity contained in paragraph 1 of Article III. Nothing would be lost if the paragraph read as follows:

"The ROK forever releases and agrees to hold harmless the Unified Command and their nationals from any and all claims and accounts.....".

Either the definition should be deleted or used in the substantive articles of the agreement.

- (b) The expression "Claims and Accounting" is defined but is never used in the agreement. The expression used throughout the agreement is "claims and accounts" and in Article V becomes simply "claims". The expression which should be defined is "claims and accounts".

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B. Greenhill, Esquire,
First Secretary,
British Embassy,
Tokyo.

-2-

- (c) The expression "Utility Services" becomes "utilities services" in paragraph 1, 3 and 4 of Article III and in paragraphs 1 and 3 of Article IV "utilities service". In Article VI the expression becomes "utilities service" and "utility services".
- (d) Similarly, "New Arrangements" is defined as meaning "existing formal written contracts and formal written contracts to be negotiated in the future". In Article IV the "Unified Command" "agrees to settle all claims and accounts arising under existing formal written contracts...and to undertake to negotiate new arrangements.....". Technically it would be enough if the agreement said "Unified Command agrees to settle all claims and accounts arising under new arrangements" but that obviously does not express the intention clearly. For that reason we would suggest that the definition "New Arrangements" be deleted.
- (e) The mutual waivers and indemnities contained in Article III include nationals of the Unified Command as well as nationals of ROK. This must mean that the ROK will protect a Canadian soldier from any claim against him by a national or ROK, any other person owning property, rendering utility services or residing in Korea. In reverse, the Unified Command will take care of any claims against a national of the ROK made by the Unified Command or its nationals."

3. The Canadian authorities suggest that we may wish to consider whether the definition of "Unified Command" given in para 1 of Article I of the draft and phrasing of para 1 of Article III make it clear that a waiver is given by the Republic of Korea of claims and accounts for utilities services and for occupancy and use of real property both against the Unified Command, representing Governments, and against the Governments themselves. They are inclined to think that this is not clear and that the waiver provisions could be interpreted to apply only to those claims and against governments for utilities services or for the occupancy and use of real property arranged through or by the United States acting in its capacity as the Unified Command. They also believe that the use of the word "nationals" throughout Article III of the draft tends to extend the waiver provisions somewhat beyond what was intended in the negotiating instructions. They suggest, therefore, that we may wish to consider replacing the word "nationals" with some more instructive terminology.

no harm in including word 'nationals' than not

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In addition, the Canadian Government makes the following detailed substantive comments on the draft:

"Article IV paragraph 1 provides that the governments of those nations furnishing materials, supplies and services to the ROK 'may elect to offset amounts owed by ROK against amounts due by U.S. for utilities service furnished under existing and new arrangements'.

"This means for the Canadian authorities that the U.S. rather than ROK will make the actual payments to those nations furnishing the material, supplies, and services to ROK if the value of the material, supplies and services exceeds the value of the utilities service rendered by ROK. Have the U.S. and other nations concerned agreed to such a procedure? Unless agreement is obtained the second sentence of the paragraph will have to be amended to make it clear that the offset arrangement will be between the ROK and each nation furnishing material, etc. The last sentence of the paragraph will also have to be amended so that it will cover not only the United States but other nations as well. The amended paragraph might read as follows:

O.K.
The Unified Command agrees....the governments of the nations furnishing the materials, supplies, equipment and services may elect to offset amounts owed to them by ROK against amounts due ROK by them for utilities service furnished under existing and new arrangements. Any amounts due to the United States or any other government in payment for material, supplies, equipment and service furnished to ROK by the United States or by any other government and any amounts due the ROK by the United States or any other government for utilities service under future offset arrangements will be established in the case of the U.S., in U.S. dollar values and in the case of any other nation, in the currency of that nation, to be determined in accordance with Article V of this agreement.

"Since it was agreed at a previous meeting of the Commonwealth representatives that it seemed advisable to encourage General Harmony to obtain ROK agreement to the principles of equality with regard to the rates charged for utilities and that the eventual agreement as signed would provide adequate protection in this regard,

-4-

it seems that that part of Article IV paragraph 3 of the draft agreement which reads: '...in all cases shall be charged for utilities service at rates no less favourable than those charged ROK governmental agencies' should be deleted and replaced by the following: '....in all cases, the United States of America and the governments of those nations furnishing military forces and other assistance to the Unified Command shall be charged the same rates for utilities service and these rates shall be no less favourable than those charged to any other consumer'.

"If Article IV, paragraph 1, is amended along the lines suggested above, Article V will also have to be amended. It might read as follows:

"It is agreed that the value of the Korean currency to be used in computing the U.S. dollar value of claims under this Agreement shall be the official military conversion rate at the time the services were rendered or real property occupied or used, and in computing the value of claims in terms of the currency of any other of the Governments of those nations furnishing military forces and other assistance to the Unified Command, the official military conversion rate at the time the services were rendered or real property occupied or used adjusted to take into account the rate of exchange between the U.S. dollar and the currency in which the value of the claims is to be expressed.

"This amendment appears necessary as it is our understanding that the official military conversion rate is expressed in terms of the U.S. dollar."

5. Finally the Embassy has been asked by the Canadian authorities to find out whether the official military conversion rate and the auction rate which has been in use by the U.S. Forces are the same. If they are not, and the auction rate is the more favourable, we are wondering why Article V does not provide for the use of the more favourable rate.

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6. I am writing similarly to Messrs. Austin and Cunninghame,
and Major McMillan.

Yours sincerely,



Gilles Lalonde,
Third Secretary.

CONFIDENTIAL

Our File No. 210-7-13

Tokyo, March 13, 1956.

Dear Major Mc^{com}Hillan,

We have now received comments and proposed amendments from Canada on the 8th Army draft Korean Claims Settlement Agreement. I am informing you of them for purposes of co-ordination of Commonwealth views on this question, having in mind the possibility that this draft may be used as a basis for the preparation of the final text.

2. The Canadian Government states that the draft agreement seems to conform with instructions given to the negotiating team, but makes the following comments on drafting aspects of the AFPE/8th Army text:

- (a) Definitions - The definition of "Unified Command" is not used in the body in the sense of the definition anywhere except in the first sentence of para 1 of Article IV. We cannot see why, for example, the expression "Unified Command" cannot be used in the waiver and indemnity contained in paragraph 1 of Article III. Nothing would be lost if the paragraph read as follows:

"The ROK forever releases and agrees to hold harmless the Unified Command and their nationals from any and all claims and accounts.....".

Either the definition should be deleted or used in the substantive articles of the agreement.

- (b) The expression "Claims and Accounting" is defined but is never used in the agreement. The expression used throughout the agreement is "claims and accounts" and in Article V becomes simply "claims". The expression which should be defined is "claims and accounts".

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Major R. A. St. C. Macmillan,
British Commonwealth Sub-Area,
Tokyo.

-2-

- (c) The expression "Utility Services" becomes "utilities services" in paragraph 1, 3 and 4 of Article III and in paragraphs 1 and 3 of Article IV "utilities service". In Article VI the expression becomes "utilities service" and "utility services".
- (d) Similarly, "New Arrangements" is defined as meaning "existing formal written contracts and formal written contracts to be negotiated in the future". In Article IV the "Unified Command" "agrees to settle all claims and accounts arising under existing formal written contracts.....and to undertake to negotiate new arrangements.....". Technically it would be enough if the agreement said "Unified Command agrees to settle all claims and accounts arising under new arrangements" but that obviously does not express the intention clearly. For that reason we would suggest that the definition "New Arrangements" be deleted.
- (e) The mutual waivers and indemnities contained in Article III include nationals of the Unified Command as well as nationals of ROK. This must mean that the ROK will protect a Canadian soldier from any claim against him by a national of ROK, any other person owning property, rendering utility services or residing in Korea. In reverse, the Unified Command will take care of any claims against a national of the ROK made by the Unified Command or its nationals."

3. The Canadian authorities suggest that we may wish to consider whether the definition of "Unified Command" given in para 1 of Article I of the draft and phrasing of para 1 of Article III make it clear that a waiver is given by the Republic of Korea of claims and accounts for utilities services and for occupancy and use of real property both against the Unified Command, representing Governments, and against the Governments themselves. They are inclined to think that this is not clear and that the waiver provisions could be interpreted to apply only to those claims and against governments for utilities services or for the occupancy and use of real property arranged through or by the United States acting in its capacity as the Unified Command. They also believe that the use of the word "nationals" throughout Article III of the draft tends to extend the waiver provisions somewhat beyond what was intended in the negotiating instructions. They suggest, therefore, that we may wish to consider replacing the word "nationals" with some more instructive terminology.

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4. In addition, the Canadian Government makes the following detailed substantive comments on the draft:

"Article IV paragraph 1 provides that the governments of those nations furnishing materials, supplies and services to the ROK 'may elect to offset amounts owed by ROK against amounts due by U.S. for utilities service furnished under existing and new arrangements'.

"This means for the Canadian authorities that the U.S. rather than ROK will make the actual payments to those nations furnishing the material, supplies, and services to ROK if the value of the material, supplies and services exceeds the value of the utilities service rendered by ROK. Have the U.S. and other nations concerned agreed to such a procedure? Unless agreement is obtained the second sentence of the paragraph will have to be amended to make it clear that the offset arrangement will be between the ROK and each nation furnishing material, etc. The last sentence of the paragraph will also have to be amended so that it will cover not only the United States but other nations as well. The amended paragraph might read as follows:

The Unified Command agrees....the governments of the nations furnishing the materials, supplies, equipment and services may elect to offset amounts owed to them by ROK against amounts due ROK by them for utilities service furnished under existing and new arrangements. Any amounts due to the United States or any other government in payment for material, supplies, equipment and service furnished to ROK by the United States or by any other government and any amounts due the ROK by the United States or any other government for utilities service under future offset arrangements will be established in the case of the U.S., in U.S. dollar values and in the case of any other nation, in the currency of that nation, to be determined in accordance with Article V of this agreement.

"Since it was agreed at a previous meeting of the Commonwealth representatives that it seemed advisable to encourage General Harmony to obtain ROK agreement to the principles of equality with regard to the rates charged for utilities and that the eventual agreement as signed would provide adequate protection in this regard

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it seems that that part of Article IV paragraph 3 of the draft agreement which reads: '....in all cases shall be charged for utilities service at rates no less favourable than those charged ROK governmental agencies' should be deleted and replaced by the following: '...in all cases, the United States of America and the governments of those nations furnishing military forces and other assistance to the Unified Command shall be charged the same rates for utilities service and these rates shall be no less favourable than those charged to any other consumer'.

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"This amendment appears necessary as it is our understanding that the official military conversion rate is expressed in terms of the U.S. dollar."

5. Finally the Embassy has been asked by the Canadian authorities to find out whether the official military conversion rate and the auction rate which has been in use by the U.S. Forces are the same. If they are not, and the auction rate is the more favourable, we are wondering why Article V does not provide for the use of the more favourable rate.

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6. I am writing similarly to Messrs. Austin, Greenhill and Cunninghame. I assume that you will draw the contents of this letter to the attention of Brigadier Alderson.

Yours sincerely,

Gilles Lalande

Gilles Lalande,
Third Secretary.

Our File No. 210-7-13

Confidential

Tokyo, March 13, 1956.

Dear Rex,

We have now received comments and proposed amendments from Canada on the 8th Army draft Korean Claims Settlement Agreement. I am informing you of them for purposes of co-ordination of Commonwealth views on this question, having in mind the possibility that this draft may be used as a basis for the preparation of the final text.

2. The Canadian Government states that the draft agreement seems to conform with instructions given to the negotiating team, but makes the following comments on drafting aspects of the AFPE/8th Army text:

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"The ROK forever releases and agrees to hold harmless the Unified Command and their nationals from any and all claims and accounts.....".

Either the definition should be deleted or used in the substantive articles of the agreement.

- (b) The expression "Claims and Accounting" is defined but is never used in the agreement. The expression used throughout the agreement is "claims and accounts" and in Article V becomes simply "claims". The expression which should be defined is "claims and accounts".

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R. R. Cunninghame, Esquire,
First Secretary,
New Zealand Legation,
Tokyo.

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Yours sincerely,


Gilles Lalonde,
Third Secretary.

CONFIDENTIAL

Our File No. 210-7-13

Tokyo, March 13, 1956.

Dear Mr. Austin,

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R. W. L. Austin, Esquire,
Second Secretary,
Australian Embassy,
Tokyo.

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"Since it was agreed at a previous meeting of the Commonwealth representatives that it seemed advisable to encourage General Harmony to obtain ROK agreement to the principles of equality with regard to the rates charged for utilities and that the eventual agreement as signed would provide adequate protection in this regard,

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"This amendment appears necessary as it is our understanding that the official military conversion rate is expressed in terms of the U.S. dollar."


5. Finally the Embassy has been asked by the Canadian authorities to find out whether the official military conversion rate and the auction rate which has been in use by the U.S. Forces are the same. If they are not, and the auction rate is the more favourable, we are wondering why Article V does not provide for the use of the more favourable rate.

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-5-

6. I am writing similarly to Messrs. Cunningham and Greenhill, and Major McMillan.

Yours sincerely,


Gilles Lalande,
Third Secretary.

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: Paragraph 3 of your letter No. 38
of January 10, 1956
Subject: Korean Claims Negotiations

Security: CONFIDENTIAL

No: L. 130

Date: February 24, 1956

Enclosures: 2

Air or Surface Mail: Air

Post File No: 310-7-13

Ottawa File No.

50069-M-40

References

I am attaching for your information
copies of letters dated January 30 from the
Department of Finance and February 14, 1956 from
the Department of National Defence which contain
the comments of these Departments on the Draft
Claims Agreement, prepared by AFPE/8th Army. We
are in agreement with these comments and you may
use them as you see fit in discussions with the
other Commonwealth Missions concerned in Tokyo.

[Signature]
Under-Secretary of State
for External Affairs

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DEPARTMENT OF FINANCE

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

Ottawa, Ontario,
January 30, 1956.

The Under Secretary of State
for External Affairs,
East Block,
Ottawa, Ontario.

Attention: Mr. G. Sicotte

Dear Sir:-

Re: Korean Claims Negotiations

I wish to refer to your letter of January 23, 1956, in which you asked for our comments on the AFTE/8th Army Draft Agreement which was attached to letter No. 1253 of December 13, 1955, from Tokyo.

In general, the draft agreement seems to conform with instructions given to the negotiating team. However, the following detailed comments occurred to us.

Article IV paragraph 1 provides that the governments of those nations furnishing materials, supplies and services to the ROK "may elect to offset amounts owed by ROK against amounts due by U.S. for utilities service furnished under existing and new arrangements".

In December letter
This means that the U.S. rather than ROK will make the actual payments to those nations furnishing the material, supplies, and services to ROK if the value of the material, supplies and services exceeds the value of the utilities service rendered by ROK. Have the U.S. and other nations concerned agreed to such a procedure? Unless agreement is obtained the second sentence of the paragraph will have to be amended to make it clear that the offset arrangement will be between the ROK and each nation furnishing material, etc. The last sentence of

/the paragraph

- 2 -

the paragraph will also have to be amended so that it will cover not only the United States but other nations as well. x
The amended paragraph might read as follows:

The Unified Command agrees. . . . the governments of the nations furnishing the materials, supplies, equipment and services may elect to offset amounts owed to them by ROK against amounts due ROK by them for utilities service furnished under existing and new arrangements. Any amounts due to the United States or any other government in payment for material, supplies, equipment and service furnished to ROK by the United States or by any other government and any amounts due the ROK by the United States or any other government for utilities service under future offset arrangements will be established in the case of the U.S., in U.S. dollar x values and in the case of any other nation, in the currency of that nation, to be determined in accordance with Article V of this agreement.

In his dispatch No. 1290 of December 23, 1955, our Ambassador to Tokyo reports that it was agreed at a meeting of the Commonwealth Representatives that it seemed advisable to encourage General Harmony to obtain ROK agreement to the principle of equality with regard to the rates charged for utilities and insure that the eventual agreement as signed would provide adequate protection in this regard. It seems, therefore, that that part of Article IV, paragraph 3, of the draft agreement which reads: ". . . in all cases shall be charged for utilities service at rates no less favourable than those charged ROK governmental agencies" should be deleted and replaced by the following: ". . . in all cases, the United States of America and the governments of those nations furnishing military forces and other assistance to the Unified Command shall be charged the same rates for utilities service and these rates shall be no less favourable than those charged to any other consumer".

If Article IV, paragraph 1, is amended along the lines suggested above, Article V will also have to be amended. It might read as follows:

/It is agreed

- 3 -

It is agreed that the value of the Korean Currency to be used in computing the U.S. dollar value of claims under this Agreement shall be the official military conversion rate at the time the services were rendered or real property occupied or used, and in computing the value of claims in terms of the currency of any other of the Governments of those nations furnishing military forces and other assistance to the Unified Command, the official military conversion rate at the time the services were rendered or real property occupied or used adjusted to take into account the rate of exchange between the U.S. dollar and the currency in which the value of the claims is to be expressed.

This amendment appears necessary as it is our understanding that the official military conversion rate is expressed in terms of the U.S. dollar.

We should appreciate it if you would ask our representative in Tokyo whether the official military conversion rate and the auction rate which has been in use by the U.S. forces are the same. If they are not and the auction rate is the more favourable, we are wondering why Article V does not provide for the use of the more favourable rate. //

Yours very truly,

(sgd) A. B. Hockin.

OFFICE OF THE DEPUTY MINISTER

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

OTTAWA

February 14, 1956.

The Under Secretary of State
for External Affairs,
East Block,
Ottawa, Ontario.

Attn: Mr. W. M. Wood

I wish to refer to the last paragraph of your letter of January 23, 1956, in which you asked for our comments on the AFPE/Eighth Army draft of an agreement with the Republic of Korea for settlement of claims and accounts enclosed with despatch No. 1253 of December 13, 1955, from the Canadian Ambassador at Tokyo.

The Judge Advocate General has given me the following comments on drafting aspects of the AFPE/Eighth Army draft:

- (a) Definitions - The definition of "Unified Command" is not used in the body in the sense of the definition anywhere except in the first sentence of para 1 of Article IV. I cannot see why, for example, the expression "Unified Command" cannot be used in the waiver and indemnity contained in paragraph 1 of Article III. Nothing would be lost if the paragraph read as follows:

"The ROK forever releases and agrees to hold harmless the Unified Command and their nationals from any and all claims and accounts"

Either the definition should be deleted or used in the substantive articles of the agreement.

- (b) The expression "Claims and Accounting" is defined but is never used in the agreement. The expression used throughout the agreement is "claims and accounts" and in Article V becomes simply "claims". The expression which should be defined is "claims and accounts".
- (c) The expression "Utility Services" becomes "utilities services" in paragraph 1, 3 and 4 of Article III and in paragraphs 1 and 3 of Article IV "utilities service". In Article VI the expression becomes "utilities service" and "utility services".
- (d) Similarly, "New Arrangements" is defined as meaning "existing formal written contracts and formal written contracts to be negotiated in the future". In Article IV the "Unified Command" "agrees to settle all claims and accounts arising under existing formal written contracts.....and to undertake to negotiate new arrangements.....". Technically it would be enough if the agreement said "Unified Command agrees to settle all claims and accounts arising under new arrangements" but that obviously does not express the intention clearly. For that reason I would suggest that the definition "New Arrangements" be deleted.
- (e) The mutual waivers and indemnities contained in Article III include nationals of the Unified Command as well as nationals of ROK. This must mean that

- 2 -

the ROK will protect a Canadian soldier from any claim against him by a national or ROK, any other person owning property, rendering utility services or residing in Korea. In reverse, the Unified Command will take care of any claims against a national of the ROK made by the Unified Command or its nationals.

Regarding substance, my general impression of the draft agreement is that, although it seeks faithfully to carry out the negotiating instructions given CINUNC, it is a rather hastily prepared document not always precise in its wording or clear in its meaning. If, however, it is to be used as the basis for a final draft I would agree with the comments of the Department of Finance and the amendments proposed by them in their letter to you of January 30, 1956. In addition, you may wish to consider whether the definition of Unified Command given in paragraph 1 of Article I of the draft and phrasing of paragraph 1 of Article III make it clear that a waiver is given by the Republic of Korea of claims and accounts for utilities services and for occupancy and use of real property both against the Unified Command representing governments and against the Governments themselves. I am inclined to think that this is not clear and that the waiver provision could be interpreted to apply only to those claims and accounts against governments for utilities services or for the occupancy and use of real property arranged through or by the United States acting in its capacity as the Unified Command. I also believe that the use of the word "nationals" throughout Article III of the draft tends to extend the waiver provisions somewhat beyond what was intended in the negotiating instructions. You may wish to consider, therefore, replacing the word "nationals" with some more restrictive terminology.

I am sending a copy of this letter to the Department of Finance.

(sgd.) G. Y. Loughead
for (F. R. Miller),
Deputy Minister.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

(FILE COPY)

NUMBERED LETTER

G.Bertrand/jt

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

FROM: The Canadian Embassy,
Tokyo, Japan.

Reference: Our Letter No. 38 of January 10, 1956
Subject: Korean Claims Negotiations

Unclassified

Security:

No: 168

Date: February 21, 1956

Enclosures: 1

Air or Surface Mail: Air

Post File No: 210-7-13

Ottawa File No.

References

— We attach for your attention a copy
of a news item dated February 13, 1956, which
appeared in the Korean Press of the same date.
The item is self-explanatory.

Internal
Circulation

The Embassy

Distribution
to Posts

210-7-13

The Korean Republic

February 13, 1956.

HUGE DEFICIT CRISIS FACED BY SUPPLIERS

Minister of Commerce and Industry Il Hwan Kim has indicated that the Government will negotiate with the U.N. Command for payment of electric power supplied to U.N. forces in Korea separately from charges for other services.

Payment due for power supplied to U.N. forces since the early stages of the Korean War amounted to 4,577,220,772 hwan as of December 31, 1955.

This debt, equivalent to about a tenth of Korean currency, is driving power generating and supplying companies into near collapse by constantly adding to the deficit column of their revenues.

Government officials last December met with Maj. Gen. John W. Harmony, then Chief of Staff of AFMFE-Eighth Army representing the U.N. Command, seeking payment of 63.7 billion hwan for electricity, water, facilities, and other services. The conference failed to bring about any solution.

Korean power suppliers feel that the Korean demand is just because electricity is sold as merchandise at a legally set price. They say the matter should not be mixed with U.N. and U.S. assistance to Korea in repelling the Communists and restoring the economy.

They also point out that other commodities are being purchased by U.S. and U.N. organizations at agreed prices and in an orderly manner.

*See file
on "Korea - claims
negotiations"
YB. -*

Confidential

File No. ~~340-0~~

210-7-13

Copy on: 340-0

Note for Mr. Maxwell

I have extracted from files 340-0 (BCFK) and 210-7-13 (Korea - Status of Forces) all papers concerning the following subject:

"Settlement of Advances of Korean
Currency to Canadian Forces".

2. I should be grateful if a new file was opened on this subject, and a cross reference made to 340-0 and 210-7-13. The former file contains all papers on the disposal of BCFK Surplus Stores, a question related, though remotely, to the subject of this new file.

Mr Newton M
to see ps before
filing.

G. Bertrand

YB

5/K/5

NEW ZEALAND LEGATION
TOKYO.

11 January 1956

INDEXED

210-7-13

Raj

Dear Gerard,

As I mentioned at our meeting at the British Embassy yesterday, this Legation has now received preliminary comments from New Zealand on the Eighth Army draft Korean Claims Settlement Agreement which was made available to Commonwealth representatives in Tokyo last month. These comments are subject to later modification and expansion, but I am nevertheless informing you of them in case the Eighth Army draft does in fact become the basis of negotiation and it accordingly becomes necessary for Commonwealth views thereon to be coordinated.

2. The New Zealand Government states that the draft agreement appears generally to meet Commonwealth needs but makes the following points:

(a) Article II

This is felt to be confusing and some clarification and expansion is considered necessary.

(b) Article IV (1)

The draft agreement refers in several places to "existing formal written contracts", and Article IV (1) involves the payment by Governments of all claims by the ROK arising out of existing formal written contracts for the provision of utilities services. This seems to be a withdrawal from the Commonwealth position that has been that, except to the extent payment has already been made, no payment should be made for utilities services furnished by the ROK during hostilities.

(c) Article IV (1)

It is preferable that the words "incident to the maintenance" should read "requested and actually received by them for the maintenance". The words "incident to" are wide, and the suggested alteration would make it clearer that only such services are to be paid for as are provided for by written contract between the ROK and other Governments.

(d) Article IV (2)

It is not clear whether this refers to the past or future use of real property. In either case Article IV (2) seems redundant in view of the wide terms of Article III.

/(e)

CONFIDENTIAL

2.

- (e) Article IV (3) should be expanded to make it clear that no United Nations force is to be charged for utilities services at a rate more favourable than that given by the ROK to any other U.N. force.

3. As regards point (b) above, the Legation has been asked by the New Zealand authorities for information on the number and nature of written contracts entered into by United Nations forces, including New Zealand, and the extent to which the obligation to settle such contracts would involve BCFK (and New Zealand) in financial commitments. I understand that Brigadier Alderson has offered to provide the Legation with details on this matter.

4. I am writing similarly to Major MacMillan, Basil Greenhill and Dick Austin.

Yours

Sincerely,



(R.R. Cunningham)
First Secretary

Mr G. Bertrand,
Third Secretary,
Canadian Embassy,
TOKYO.

CONFIDENTIAL

001077

210-7-13

CONFIDENTIAL

Notes on a Meeting held in the British Embassy, TOKYO, to consider the latest position regarding Korean Claims.

<u>Present</u>	Messrs FOLEY-SMITH)	
	AUSTIN)	British Embassy
	GREENHILL)	
	Mr. CUNNINGHAME -	New Zealand Legation
	Mr. BERTRAND -	Canadian Embassy
	Brigadier ALDERSON)	
	Major MacMILLAN)	BCFK

Proceedings

1. Brigadier ALDERSON stated that in his opinion, in consequence of the letter of December 27, 1955, from Minister KIM, of the ROK Government, the only course open was to inform Major General HARMONY that BCFK was in agreement that the matter must be referred back to WASHINGTON, via UNC, for consideration by the 16 nations. He asked if any one wished him to add anything to this statement when signalling General HARMONY.
2. A discussion followed, in which the following points were touched on:
 - (a) Should the Commonwealth Governments be given a pointer as to what line to take when considering the matter? - It was felt that this is a purely diplomatic matter, and it was suggested that all that could be said was to point out that there are two alternatives open:
 - (i) To take a firm stand with the ROK Government based on the existing offer to them.
 - (ii) To authorise negotiations within certain, to be defined, limits.
 - (b) The Agreement would be to the advantage of the ROK Government, but, if a firm stand is taken with them, there is little they can do in the way of threatening to withhold utilities.
3. It was finally AGREED that Brigadier ALDERSON should communicate with Major General HARMONY, stating that BCFK agree that the matter be referred back to WASHINGTON, through UNC, and that nothing further need be added to this statement.

File
4/3

CONFIDENTIAL

MacMillan

F. Sigs. 52. Small
(Pads of 100)

MESSAGE FORM

Number

000090

FOR COMM CEN/SIGNALS USE

PRECEDENCE—ACTION OP IMMEDIATE	PRECEDENCE—INFO DEFERRED	DATE—TIME—GROUP 10/10/502	MESSAGE INSTRUCTIONS
FROM BRICOSAT			PREFIX GR
TO AFPE/8A (Rear)			SECURITY CLASSIFICATION CONF
INFO AFPE/8A AP0301 attention Col INGRAM			ORIGINATOR'S NUMBER Z87

~~From ALDERSON BCFK representative. Settlement of claims and accounts in KOREA. Your memo 30 Dec 55 refers. Am in full agreement with views expressed in your letter of 29 Dec 55 addressed to Mr HC KIM Minister of Finance ROK. Matter should now be referred to Unified Command WASHINGTON~~

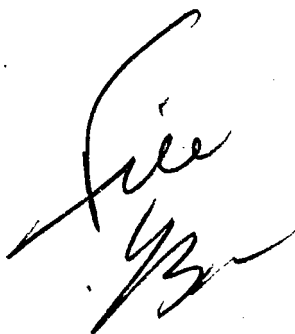
DC

FOR OPRS USE	R	DATE	TIME	SYSTEM	OPERATOR	D	DATE	TIME	SYSTEM	OPERATOR	SIGNATURE ALDERSON Brig
RANK											001079

CONFIDENTIAL

British Embassy,
Tokyo.

(1193/1/7/56) January 11, 1956.

A handwritten signature in dark ink, appearing to read 'B. Greenhill', is written over the typed name.

WITH THE COMPLIMENTS
OF
B. GREENHILL,
HER BRITANNIC MAJESTY'S EMBASSY.

Mr. G. Bertrand,
Canadian Embassy,
Tokyo.

001080

CONFIDENTIAL

January 11, 1956.

(1193/1/7/56)

As agreed at the meeting held here on January 10, I am writing to let you know the comments which we have received from London on the draft agreement prepared for the Korean claims negotiations. They are as follows:

- no O.K. alternative*
- (a) London fear that the wording of Article IV(1) and the elaborate definition of property in Article I(5) might be misunderstood by the Koreans, and they would prefer a wording which would bring out more simply our main objectives.
- O.K.* (b) The definition of "utility" in Article I(4) seems unnecessary and London would prefer it to be omitted.
- O.K.* (c) The use of the phrase "new arrangements" in Article IV(1) conflicts with the definition in Article I(6) and London would like the latter to be omitted.
- (d) London would like the following addition to Article IV(1): "The establishment in dollar values of amounts due to the Republic of Korea by other nations shall not bind those nations to payment in U.S. dollars. The currency of payments shall be determined by agreement between the Republic of Korea and the other nation concerned".
- (e) London regard the last six words of Article V as undesirable, since as no charge is to be made for real property the question of valuing it does not arise, and they would like them omitted.
- (f) Article VI seems unnecessary in view of Article III(3), and suggest that commitments have been made which we are now trying to evade.

I should be grateful if you would in due course convey these views to U.N. Command. *If you wish we can discuss them first at a next Commonwealth Meeting.*

2. I enclose a copy of our record of the meeting referred to above.

3. I enclose an extra copy of this letter and the enclosure for you to pass to Brigadier Alderson, and I am

/sending

Major R. A. St.C. Macmillan,
British Commonwealth
Sub-Area,
Tokyo.

sending copies to Austin at the Australian Embassy,
Cunningham at the New Zealand Legation, and Bertrand at the
Canadian Embassy.

(B. Greenhill).

CONFIDENTIAL

(1193/1/8/56)

KOREAN CLAIMS NEGOTIATIONS

Record of a meeting held at 11 a.m. on Tuesday,
January 10, 1956, in the British Embassy

PRESENT:

Brigadier B. E. Alderson	B.C.F.K.
Major R. A. St.C. Macmillen	"
Mr. G. Bertrand	Canadian Embassy
Mr. R. W. L. Austin	Australian Embassy
Mr. R. R. Cunningham	New Zealand Legation
Mr. B. Greenhill	British Embassy
Mr. J. M. Furley-Smith	" "

1. Brigadier Alderson said he had been asked by General Harmony to signal his comments on the letter of December 27 from the R.O.K. Minister of Finance. His own view was that he should agree that the matter should be referred back to Washington. The meeting agreed that in view of the rigidity of the Agreed Instructions to C.-in-C., U.N. Command, which really present the Koreans with a series of decisions by the U.N. side on the major points of contention and leave little or no room for negotiation, the considered rejection by the Koreans of these basic premises after their discussions with General Harmony left no alternative but to refer back for further instructions.

2. Mr. Furley-Smith suggested that the meeting might consider whether, in reporting these developments to Governments, those present should add any recommendation as to what the Commonwealth's attitude should be when the matter was reconsidered in Washington. There were two alternatives:-

- (a) that the U.N. side should modify their attitude and offer to negotiate with the Koreans on the points of principle which the latter had rejected;
- (b) that the U.N. side should offer no concession but wait until the Koreans modified their attitude.

A possible drawback to (b) was that the Koreans might be able to apply pressure by withholding facilities; and there might also be political objections. Brigadier Alderson said he doubted whether the Koreans could cause any serious difficulty by withholding facilities, and it was generally agreed that, apart from political considerations (which the meeting was not competent to discuss), there seemed no reason for the U.N. side to seek an early settlement.

3. Mr. Furley-Smith said it might be worth considering briefly some of the points in Mr. Kim's letter to see whether they were all totally unacceptable. His point 1, for example, did not seem to make much difference if the principle of a waiver of past claims were accepted - although it would make a lot of difference if linked with the Korean suggestion which had been made in a previous letter and was partly implied in Mr. Kim's point 2(b) that the U.N. should pay past claims but not the Koreans.

4. Mr. Greenhill said that, although subsequent developments made it largely an academic matter at present, comments had now been received from London on the draft Agreement which had been prepared. Mr. Cunningham said he had also received comments from his Government. It was agreed that these should be sent by letter to Major Macmillan with copies to the others present at the meeting, and should be put to U.N. Command in due course in case the draft Agreement came into the discussions at a later date, together with any comments the Canadian and Australian Governments might make in due course.

I don't think Mr F.S. has talked as
much as these minutes he has drafted
tend to indicate. -

YB

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

DESPATCH

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

FROM: The Canadian Ambassador,
Tokyo, Japan.

Reference: My Despatch No. 15 of January 4, 1956

Subject: Korean Claims Negotiations

Security: CONFIDENTIAL

No: 38

Date: January 10, 1956

Enclosures:

Air or Surface Mail: Air

Post File No: 210-7-13

Ottawa File No.	

References
Naval, Air
& Military
Attache

As reported in my despatch under reference, General Harmony's reaction upon receiving Mr. Kim's letter of December 29, 1955, was, in line with his terms of reference, to break off the negotiations until he received fresh instructions from the Unified Command in Washington. Brigadier Alderson, the Commonwealth member on the negotiating team, was in Tokyo this morning and, at the request of the Commander-in-Chief, BCFK, met with representatives of Commonwealth diplomatic missions at the British Embassy to discuss further this question. Brigadier Alderson explained that General Harmony had requested his views on his recent action, and the former, before sending a reply, wanted to obtain the comments of the Commonwealth diplomatic missions concerned. It was agreed, for obvious reasons, that Brigadier Alderson should inform the Senior Negotiator that his decision not to proceed with the negotiations without seeking new instructions was the only logical one in view of the stand taken by the ROK Government.

2. It was also agreed at the meeting that it would be difficult for Commonwealth diplomatic missions in Tokyo to provide their respective governments with useful comments on the points raised in Mr. Kim's letter for guidance when further discussions take place, we assume, in Washington. The only point, it was felt, that ought to be made, is that delays in concluding the Agreement are prejudicial to the Koreans, not to the U.N. side and that, consequently, some time can safely elapse before the sixteen governments concerned agree to climb down from their initial stand though, for political reasons, this might prove inadvisable. It is the opinion of Brigadier Alderson that the Korean Government can hardly bring pressure on the U.N. side by refusing to extend utilities services as, apparently, the United Nations forces in Korea are fairly self-sufficient in that regard.

3. So far the British Embassy and the New Zealand Legation have received from London and Wellington respectively comments on the AFPE/8th Army draft agreement, referred to you in previous correspondence, and have promised to pass on, informally, copies to their Commonwealth colleagues and BCFK. I hope that I shall soon receive your views as well.

T. C. DAVIS

T. C. Davis,
Ambassador.

001085

Internal
Circulation

Distribution
to Posts

From: Lieutenant General R. Bierwirth CBE

210-7-13



HEADQUARTERS

BRITISH COMMONWEALTH FORCES KOREA

BRITISH ARMY POST OFFICE No. 5

9 January 1956

DO/128

My dear Ambassador,

By now you are probably aware that as a result of discussion between the Senior Negotiator for the Unified Command (Major General Harmony) and the ROK Minister of Finance (Mr H.C. Kim), a letter has been received setting forth the position of the ROK Government with respect to the principles of settlement of claims as stated in the letter dated 16th September 1955 from UNC to the ROK Minister of Finance.

A copy of the ROK Minister of Finance letter and other related correspondence has already been passed to you by my liaison officers in Tokyo.

Brigadier Alderson is proceeding to Tokyo on Monday 9th January and it would be appreciated if he could meet your representative as early as possible so that your views on this new development may be obtained and incorporated in a reply to the Senior Negotiator.

I have addressed the representatives of the other Commonwealth Component Governments on terms similar to the foregoing.

The Amb.

This letter was handed over to me at a meeting held this morning at the British Embassy. It was agreed by all present that Brigadier

Yours sincerely
R. Bierwirth
Lieutenant General
Commander-in-Chief
British Commonwealth Forces Korea

Alderson should inform General Harmony, that the Commonwealth countries concerned are in agreement

His Excellency The Honourable T.C. Davis with his decision
Canadian Embassy
Tokyo

not to proceed further with the negotiations without seeking new instructions from the Unified Command in Washington. General Harmony's letter of December 29, refers. -

001086



CONFIDENTIAL

1193/1/56.

BRITISH EMBASSY,
TOKYO.

January 5, 1956.

My dear Gérard,

On the matter of the Korean claims negotiations we have now received from B.C.F.K. copies of the recent correspondence exchanged between the Korean Finance Minister and General Harmony. I enclose copies.

2. As you see, the position the Koreans have taken up deviates so greatly from the formula laid down in the Agreed Instructions to the C.-in-C., U.N. Command, that General Harmony has told the Korean Finance Minister that he considers that further meetings can serve no useful purpose until he has received further instructions.

3. I think our best course is to discuss this correspondence and, if you agree, would propose to call a meeting on Monday next, January 9, at 10.30 a.m. in Furley-Smith's room.

4. I am writing similarly and sending the enclosures to Austin at the Australian Embassy and Cunninghame at the New Zealand Legation.

Yours ever,

Basil Greenhill.

(B. Greenhill)

Mr G. Bertrand,
Canadian Embassy,
Tokyo.

Y

CONFIDENTIAL

HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
AND
EIGHTH UNITED STATES ARMY
APO 301, San Francisco, California

30 December 1955

Dear Colonel Daunt;

The inclosed papers are forwarded herewith for your information. They show the latest developments in the negotiations for settlement of claims and accounts in Korea. It is believed that they are self-explanatory.

The information contained in these papers should not be released to the press without prior notification and/or approval by the Senior Negotiator, Major General John W. Harmony, or the undersigned, as his representative.

Sincerely,

/s/ Lionel R Ingram
/t/ LIONEL R. INGRAM
Colonel CE
Representative of the
Senior Negotiator

5 Incls:

1. CINCUNCltr of
16 Sep 55
2. Gen Lemnitzer;s ltr
of 17 Dec 55
3. Minister;Kim;s ltr of
27 Dec 55
4. Gen Harmony's ltr of
29 Dec 55 to Minister Kim
5. Gen Harmony's ltr to CG
AFFE/8A (Rear), dtd 30 Dec 55

Lieutenant Colonel W. W. D. Daunt
British Commonwealth Liaison Group
c/o Chief, United Nations Liaison Section
Hq, UNC, APO 500

CONFIDENTIAL

16 September 1955

My dear Mr. Minister:

Reference is made to your letter of 27 July 1955 and the reply of the Commander-in-Chief, United Nations Command thereto dated 20 August 1955. The purpose of this letter is to inform you that the United Nations Command is now prepared, at such time and place as you may indicate, to negotiate the settlement of claims and accounts for utility services, i.e., the use of transportation and communications systems or the use or consumption of electricity, water, steam heat, light and power, however produced, and for the use of real estate, on behalf of the United States and on behalf of the governments of those nations furnishing military forces and field hospitals to the Unified Command. The United Nations Command is also prepared to negotiate arrangements pertaining to the future provision of utility services to United States Forces and to the forces of other nations furnishing military forces and field hospitals to the Unified Command by your Government on a current basis.

As a basis for negotiation of an equitable settlement of claims and accounts as defined above, it is proposed that the over-all period be considered under three separate headings, generally as follows:

- a. The hostilities period prior to the cease-fire order of 27 July 1953.
- b. The post-hostilities period beginning 28 July 1953 and extending to the effective date of new arrangements entered into between agencies of the respective governments.
- c. The future use period beginning on the effective date of the new arrangements.

It is the position of the United States and those Nations furnishing military forces and field hospitals to the Unified Command that:

- a. Claims and accounts shall not accrue for (1) damage resulting from combat activities, and (2) taxes, interest and similar charges.
- b. No payment should be made for utility services furnished during the hostilities or post-hostilities periods in view of the assistance furnished by the United States and by those nations furnishing military forces and field hospitals to the Unified Command in maintaining the security of the Republic of Korea, and in view of the value of equipment, materials, supplies and services furnished by those nations to help maintain the Republic of Korea utilities in operation.

Incl 1

/2.

COPY

-2-

c. No payment should be made for the use of real property, i.e., land, buildings and other structures, or for the removal, modification or restoration of any real property altered during its use at any time by the United States and by those nations furnishing military forces and field hospitals to the Unified Command.

d. After the effective date of the new arrangements, entered into by the United States and by those nations furnishing military forces and field hospitals to the Unified Command and the Republic of Korea, utility services furnished by the Republic of Korea to those forces should be on a current basis.

Your agreement is requested to the above general principles for the bulk settlement of claims and accounts for utility services and use of real estate furnished by the Republic of Korea to the United States and those nations furnishing military forces and field hospitals to the Unified Command.

The position of the United States and of those nations furnishing military forces and field hospitals in Korea is that no payment should be made for utility services furnished prior to the effective date of new arrangements. However, if the Republic of Korea so desires, the Unified Command is prepared to enter into a detailed comparison of Republic of Korea claims and accounts for utility services furnished by the Republic of Korea and the equipment, materials, supplies and services furnished to the Republic of Korea in support of the Republic of Korea utilities. For this purpose, the value of equipment, materials, supplies and services provided to the Republic of Korea by the United States and by those nations furnishing military forces and field hospitals to the Unified Command, on the onehand, and utility services furnished to such forces by the Republic of Korea, on the other hand, during the post-hostilities period only, should be utilized as offsets, one against the other, on a cumulative basis. In computing the value of claims and accounts, the military conversion rate applicable during the time the equipment, materials and/or services were furnished should be used.

It will be appreciated if you will furnish this Headquarters the name of your representative with whom the Commanding General, United States Army Forces, Far East and Eighth United States Army, or his representative should consult concerning this matter.

Sincerely,

/t/ Elmer J. Rogers, Jr.
Lieutenant General, USAF
Chief of Staff

His Excellency Hyun Chul Kim
Minister of Finance
Republic of Korea
Seoul, Korea

Copies to:
Minister of Transportation, ROK
Minister of Commerce and Industry, ROK
Minister of Communications, ROK
Minister of National Defense, ROK

COPY

17 Dec 55

My dear Mr. Minister:

In accordance with our conversation during my recent visit to Korea, I conveyed the substance of your remarks concerning the settlement of claims and accounts in Korea to the Honorable William B. Brucker, Secretary of the Army. The Secretary expressed his regret that his schedule did not permit his discussion of these matters with you personally.

The Secretary and I were both encouraged by your interest in promptly entering into new arrangements which would permit the individual using nations in Korea to settle on a current basis their obligations with the Republic of Korea for utility services.

I am sure you are aware that any major deviation from the formula outlined in previous letters to you concerning this matter will require resubmission to the sixteen nations that furnished military forces and field hospitals to Korea. Accordingly, I urge that every effort be made to arrive at a settlement within the framework of that formula.

I wish to assure you again of my continuing interest in the efforts of your Government to maintain effective military forces and a stable economy in the Republic of Korea.

Sincerely,

/s/ L. L. Lemnitzer
/t/ L. L. LEMNITZER
General, United States Army
Commander-in-Chief

His Excellency Hyun Chul Kim
Minister of Finance
Republic of Korea
Seoul, Korea

Encl 2.

COPY

MINISTRY OF FINANCE
REPUBLIC OF KOREA
SEOUL KOREA

December 27, 1955

My dear General Harmony;

In accordance with our last conversation I would like to convey this letter to you which contains comments and questions arising from the letter of 16 September 1955 by Lt. General Elmer J. Rogers, Jr.;

1. Referring to the period in three separate headings, we would like to be suggested the significance of separating hostilities and post-hostilities periods.

2. Referring to your position following comments which will reflect ROK position shall be given;

a) No payment for taxes should be a matter of further discussion in reference to tax laws of ROK.

b) No payment for utility services furnished during the hostilities or post-hostilities periods shall be serious matter to ROK. Including those firms contributed utilities services to UNC and they have been expected reimbursement which will make available them to offset their accumulated financial deficit since 1 July 1950. One of your justifications supporting no payment such as "the value of equipment, materials, supplies and services furnished by those nations to help maintain the Republic of Korea utilities in operation" could be considered some merit involved which requires further verification, however, the other one stating as "the assistance furnished by the United States and by those nations furnishing military forces and field hospitals to the Unified Command in maintaining the security of the Republic of Korea" would not suitably fit to the concept in view of the common fight against communist expansion and war torn Korean economy that needs assistance for rehabilitation from outside.

c) No payment for the use of real property, i.e., land, buildings and other structures, we can not agree. Because those services have been rendered in a large extent by civic people at the expense of their advantages and betterment of civil economy.

d) We shall agree to expedite new arrangements covering utilities as well as real estate services. Setting the effective date should be the matter of first consideration.

3. Referring to the second from the last paragraph, we find inconsistency of the statement which involves ambiguity such as at the beginning it says that no payment should be made for utility services prior to the effective date of new arrangements. However, later half part suggests that UNC is prepared to enter into a detailed comparison of Republic of Korea claims and accounts for utility services furnished by the Republic of Korea and the equipment, materials, supplies and services provided to the Republic of Korea by the United States and by those nations furnishing military forces and field hospitals to the Unified Command. And it further states that during the post-hostilities period only both parties' contributions should offset on a cumulative basis. No reasons were mentioned why hostilities period was omitted for offset purpose.

COPY Incl 3

-2-

4. In computing the value of claims and accounts, ROK official exchange rate should serve instead military conversion rate during the time the services were furnished.

It will be appreciated that if you could understand ROK position that is to settle new arrangements first, then, keep continue mutual efforts to set up formula for prompt and equitable settlements for the past claims and accounts in Korea.

Sincerely yours,

/s/ Hyun Chul Kim
/t/ Hyun Chul Kim
Minister of Finance
Republic of Korea

Major General John W. Harmony
The Representative of the Commanding General
United States Army Forces, Far East and Eighth
United States Army for Negotiation and Settlement
of Claims and Accounts in Korea.

c/o AFPE/Eighth Army, Seoul Military Post,
Seoul, Korea.

COPY

HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
AND
EIGHTH UNITED STATES ARMY
APO 301
Office of the Senior Negotiator

29 December 1955

Dear Minister Kim:

This will acknowledge receipt of your letter of 27 December 1955, in which you submit your comments on the general principles for the bulk settlement of claims and accounts for utilities services and the use of real estate, as set forth in the letter of 16 September 1955 from Lieutenant General Elmer J. Rogers, Jr., Chief of Staff, United Nations Command.

My study of your letter reveals that your position in this matter results in such obvious major deviations from the formula outlined in previous correspondence that other members of the negotiating team need not be assembled at this time. Consequently, as stated in the third paragraph of General Lemnitzer's letter of 17 December 1955, I have no alternative but to forward your letter through Headquarters, United States Army Forces, Far East and Eighth United States Army (Rear) and through Headquarters, United Nations Command to the Unified Command, Washington, D. C.

As stated in our previous meetings, I have no authority to depart from the position already agreed upon by the Unified Command; therefore, I consider that further meetings between us can serve no useful purpose unless and until I receive further instructions.

Sincerely,

/s/ John W. Harmony
/t/ JOHN W. HARMONY
Major General, United States Army
Senior Negotiator

Mr. Hyun Chul Kim
Minister of Finance, Republic of Korea
The Representative of the Republic of Korea
for the Settlement of Claims and Accounts in Korea
Seoul, Korea.

Incl 4.

CONFIDENTIAL

AG 150 KCS

30 December 1955

SUBJECT: Settlement of Claims and Accounts in Korea

TO: Commanding General
United States Army Forces, Far East
and Eighth United States Army
APO 343

1. On December 28, a letter was received from Mr. Hyun Chul Kim, Minister of Finance, Republic of Korea, setting forth the position of the government of the Republic of Korea with respect to the principles for the settlement of claims and accounts as stated in the letter of 16 September 1955, from Headquarters, United Nations Command and signed by Lieutenant General Elmer Rogers, Jr. The letter from the Minister of Finance is submitted herewith as inclosure 1.

2. A study of the letter from Minister Kim revealed that none of the principles announced in previous correspondence for the settlement of claims and accounts were acceptable to Minister Kim. On 29 December a reply to Minister Kim was sent, a copy of which is attached as inclosure 2.

3. In accordance with instructions contained in para 3.e. of letter, Hq, AFPE/8A (Rear), subject: Settlement of Claims and Accounts, dated 10 November 1955, file no. AFPE AG 150 GD-S, the letter from Minister Kim is submitted herewith.

JOHN W. HARMONY
Major General, General Staff
Chief of Staff

2 Incls:

1. Minister of Finance ltr, dtd 27 Dec 55
2. Gen Harmony's reply to Minister Kim, dtd 29 Dec 55.

Incl 5.

DESPATCH

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

FROM: The Canadian Ambassador, Tokyo, Japan.

Reference: My despatch No. 1290 of Dec. 23/55

Subject: Korean Claims Negotiations.

Security: CONFIDENTIAL

No: 15

Date: January 4, 1956

Enclosures: Three (in duplicate)

Air or Surface Mail: AIR

Post File No: 210-7-13

Ottawa File No.

References

Naval, Military and Air
Attache
(without
enclosures)

Attached are copies of the following letters, received in a letter of December 30, 1955 to the Naval, Military and Air Attache from HQ USAFFE/Eighth U.S. Army:

(a) General Lemnitzer's letter of December 17, 1955 to the ROK Minister of Finance; (self-explanatory);

(b) the ROK Finance Minister's letter to General Harmony of December 27, 1955 (with reference to General Rogers' letter of September 16, 1955, a copy of which was forwarded to you with my despatch No. 1181 of November 23, 1955); and,

(c) General Harmony's letter of December 29, 1955 in reply to the ROK Finance Minister's letter of December 27, 1955.

2. The ROK Finance Minister's letter of December 27 consists in effect of an almost total rejection of the position of the United Nations side on the settlement of utilities services and real estate claims in Korea. Although the Finance Minister's letter is not very lucid, he appears to make the following points:

(1) the ROK wants to know why the hostilities and post-hostilities periods should be separated;

(2) the ROK thinks that the question of waiving claims and accounts arising out of taxes should be further discussed with reference to the ROK tax laws; (this presumably means a rejection of the United Nations side's position on tax and similar claims: it does not touch on the question of a waiver of claims over combat damage);

(3) the ROK would consider a mutual waiver of claims for utilities services (during the hostilities and post-hostilities periods) a "serious matter", since the individual suppliers on the Korean side are expecting reimbursement to cancel out their "accumulated financial deficit since 1 July 1950"; there might be some justification for off-setting assistance furnished by the United Nations side in keeping the ROK utilities in operation -- this would have to be verified -- but the off-setting of assistance furnished in maintaining the security of the ROK is inconsistent with the nature of the joint struggle against communist expansion and with the fact that the ROK is in need of external assistance for rehabilitation;

Internal
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to Posts

-2-

(4) the ROK cannot agree that the use of real property should be free;

(5) the ROK finds ambiguity in the United Nations side's willingness to enter into a detailed comparison of mutual claims and its unwillingness to pay for utilities services prior to the effective date of new arrangements; and would wish to know why such a detailed comparison would be limited to the post-hostilities period;

(5) the ROK would wish the official rate rather than the military conversion rate to be applied in computing the claims and accounts.

3. Finally, the ROK Finance Minister's letter indicates a desire to expedite new arrangements, not only for utilities services, but also for "real estate services"; and then to settle upon a formula for dealing with past claims and accounts in Korea.

4. General Harmony's reaction, as given in his reply of December 29, was to break off the negotiations until he received fresh instructions from the Unified Command.

5. To sum up, the ROK Finance Minister and, presumably, his Government have not softened their position at all on the essential point in the United Nations side's proposal that there be a mutual waiver of past claims. Although they have not ruled out a detailed comparison of accounts, I think that the Finance Minister's letter was a sufficient rejection to justify General Harmony in concluding that he could make no further headway and must therefore seek new instructions. I assume that the governments concerned will now co-ordinate their views in Washington. I should be grateful if you would keep me informed as in the past of any discussions that take place.

T. C. DAVIS

Ambassador.

C O P Y

HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
and
EIGHTH UNITED STATES ARMY
APO 301
Office of the Senior Negotiator

29 December 1955

Dear Minister Kim:

This will acknowledge receipt of your letter of 27 December 1955 in which you submit your comments on the general principles for the bulk settlement of claims and accounts for utilities services and the use of real estate, as set forth in the letter of 16 September 1955 from Lieutenant General Elmer J. Rogers, Jr., Chief of Staff, United Nations Command.

My study of your letter reveals that your position in this matter results in such obvious major deviations from the formula outlined in previous correspondence that other members of the negotiating team need not be assembled at this time. Consequently, as stated in the third paragraph of General Lemnitzer's letter of 17 December 1955, I have no alternative but to forward your letter through Headquarters, United States Army Forces, Far East and Eighth United States Army (Rear) and through Headquarters, United Nations Command to the Unified Command, Washington, D. C.

As stated in our previous meetings, I have no authority to depart from the position already agreed upon by the Nations of the Unified Command; therefore, I consider that further meetings between us can serve no useful purpose unless and until I receive further instructions.

sincerely,

/s/ John W. Harmony
/t/ John W. Harmony
Major General, United States Army
Senior Negotiator

Mr. Hyun Chul Kim
Minister of Finance, Republic of Korea
The Representative of the Republic of Korea
for the Settlement of Claims and Accounts in Korea
Seoul, Korea.

C O P Y

MINISTRY OF FINANCE
REPUBLIC OF KOREA
SEOUL, KOREA

December 27, 1955

My dear General Harmony:

In accordance with our last conversation I would like to convey this letter to you which contains comments and questions arising from the letter of 16 September 1955 by Lt. General Elmer J. Rogers, Jr.;

1. Referring to the period in three separate headings, we would like to be suggested the significance of separating hostilities and post-hostilities periods.

2. Referring to your position following comments which will reflect ROK position shall be given;

(a) No payment for taxes should be a matter of further discussion in reference to tax laws of ROK.

(b) No payment for utility services furnished during the hostilities or post-hostilities periods shall be serious matter to ROK including those firms contributed utilities services to UNC and they have been expected reimbursement which will make available them to offset their accumulated financial deficit since 1 July 1950. One of your justifications supporting no payment such as "the value of equipment, materials, supplies and services furnished by those nations to help maintain the Republic of Korea utilities in operation" could be considered some merit involved which requires further verification, however, the other one stating as "the assistance furnished by the United States and by those nations furnishing military forces and field hospitals to the Unified Command in maintaining the security of the Republic of Korea" would not suitably fit to the concept in view of the common fight against communist expansion and war-torn Korean economy that needs assistance for rehabilitation from outside.

(c) No payment for the use of real property, i.e., land, buildings and other structures, we can not agree. Because those services have been rendered in a large extent by civic people at the expense of their advantages and betterment of civil economy.

(d) We shall agree to expedite new arrangements covering utilities as well as real estate services. Setting the effective date should be the matter of first consideration.

3. Referring to the second from the last paragraph, we find inconsistency of the statement which involves ambiguity such as the beginning it says that no payment should be made for utility services prior to the effective date of new arrangements. However, later half part suggests that UNC is prepared to enter into a detailed comparison of Republic of Korea claims and accounts for utility services furnished by the Republic of Korea and the equipment, materials, supplies and services provided to the Republic of Korea by the United States and by those nations furnishing military forces and field hospitals to the Unified Command. And it further states that during the post-hostilities period only both parties' contributions should offset on a cumulative basis. No reasons were mentioned why hostilities period was omitted for offset purpose.

. . . 2

2.

4. In computing the value of claims and accounts, ROK official exchange rate should serve instead of military conversion rate during the time the services were furnished.

It will be appreciated that if you could understand ROK position that is to settle new arrangements first, then, keep continue mutual efforts to set up formula for prompt and equitable settlements for the past claims and accounts in Korea.

Sincerely yours,

/s/ Hyun Chul Kim

/t/ Hyun Chul Kim

Minister of Finance
Republic of Korea

Major General John W. Harmony
The Representative of the Commanding General
United States Army Forces, Far East and Eighth
United States Army for Negotiation and Settlement
of Claims and Accounts in Korea

c/o AFPE/Eighth Army, Seoul Military Post
Seoul, Korea

C O P Y

C O P Y

17 December 1955

My dear Minister:

In accordance with our conversation during my recent visit to Korea, I conveyed the substance of your remarks concerning the settlement of claims and accounts in Korea to the Honorable William M. Brucker, Secretary of the Army. The Secretary expressed his regret that his schedule did not permit his discussion of these matters with you personally.

The Secretary and I were both encouraged by your interest in promptly entering into new arrangements which would permit the individual using nations in Korea to settle on a current basis their obligations with the Republic of Korea for utility services.

I am sure you are aware that any major deviation from the formula outlined in previous letters to you concerning this matter will require resubmission to the sixteen nations that furnished military forces and field hospitals to Korea. Accordingly, I urge that every effort be made to arrive at a settlement within the framework of that formula.

I wish to assure you again of my continuing interest in the efforts of your Government to maintain effective military forces and a stable economy in the Republic of Korea.

Sincerely,

/s/ L. L. Lemnitzer

/t/ L. L. Lemnitzer

General, United States Army
Commander-in-Chief

His Excellency Hyun Chul Kim
Minister of Finance
Republic of Korea
Seoul, Korea



210-7-13
INDEXED (RM)

CONFIDENTIAL

(1193/1/ /56)

BRITISH EMBASSY,
TOKYO.

January 4, 1956

My dear Grand,

At our last meeting with Brigadier Alderson to discuss Korean Claims on December 22, copies of General Harmony's signal 71394 of December 20 were distributed. In paragraph 2 of this telegram reference is made to General Lemnitzer's letter to the Korean Minister of Finance of December 17. I enclose a copy of this letter.

I am writing similarly with enclosure to Austin and Cunningham.

Yours ever,

Basil Greenhill

(B. Greenhill)

Mr. G. Bertrand,
Canadian Embassy,
TOKYO.

COPY

17 Dec 55

My dear Mr Minister:

In accordance with our conversation during my recent visit to Korea, I conveyed the substance of your remarks concerning the settlement of claims and accounts in Korea to the Honorable William M. Brucker, Secretary of the Army. The Secretary expressed his regret that his schedule did not permit his discussion of these matters with you personally.

The Secretary and I were both encouraged by your interest in promptly entering into new arrangements which would permit the individual using nations in Korea to settle on a current basis their obligations with the Republic of Korea for utility services.

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I wish to assure you again of my continuing interest in the efforts of your Government to maintain effective military forces and a stable economy in the Republic of Korea.

DISTRIBUTION:
Cofs
AG Rec
Compt
Maj Gen Harmony
AFPE/8A (R)

Sincerely,

SIGNED AND DISPATCHED

L. L. LEHMITZER
General, United States Army
Commander-in-Chief

His Excellency Hyun Chul Kim
Minister of Finance
Republic of Korea
Seoul, Korea

210-7-13



BRITISH EMBASSY,

TOKYO.

CONFIDENTIAL

(1193/1/49/55)

January 3, 1956

My dear G. Bertrand,

I enclose copies of the note of
Brigadier Alderson's meeting at Headquarters,
United Nations Command on December 22,
Captain Pope's record of our meeting of the
same day, and other correspondence on the
subject of Korean Claims received by
Col. Daunt of British Commonwealth Forces,
Korea. I do not think that any of this
adds anything to what we already know.

~~For
Res. section
with file.
Y.B.~~

Yours ever,

Basil Greenhill.

(B. Greenhill).

File
Y.B. ✓

Mr. G. Bertrand,
Canadian Embassy,
TOKYO.

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MINUTES OF MEETING AT HQ UNC - 22 Dec 55.

Present : Brig B.E. ALDERSON Col MILLIKEN HQ UNC
 Maj W.J. CROSBY Lt Col RILEY HQ UNC
 Capt H.W. POPE

1. Brig ALDERSON described his meeting with Gen. HARMONY and stated that he was quite satisfied with the result. The meeting was described in Gen. HARMONY's signal KA71378 of 16 Dec 55.
2. He understood that a further signal had been received from Gen HARMONY giving details of a meeting with Mr. KIM on 19 Dec 55. Lt Col RILEY produced a copy of the signal KA71394 of 20 Dec 55.
3. After discussion, Col RILEY stated that he was of the opinion that NO further action was called for until Mr. KIM had presented the paper showing the ROK position on the principles proposed by the Unified Command. On receipt of such paper, it would be circulated for comment to all concerned, after which a further meeting with Mr. KIM could be arranged.


Capt

(H.W. POPE)

Secretary

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MINUTES OF A MEETING HELD AT THE BRITISH EMBASSY on 22 Dec 55

Present :	Brig ALDERSON	Mr GREENHILL U.K.
	Maj CROSBY	Mr FURLEY-SMITH U.K.
	Capt POPE	Mr AUSTIN AUSTRALIA
		Mr RETTIE CANADA
		Mr CUNNINGHAME N.Z.

1. Brig ALDERSON opened by ^{describing} the events leading up to his meeting in SEOUL with Gen HARMONY.
2. He stated that on his arrival in SEOUL he visited the British Legation and passed on to Mr STEWART all the information he possessed on the KOREAN negotiations. Mr MALCOLM accompanied him to the meeting with Gen HARMONY whose ideas on the meeting with Mr. KIM were basically those of Brig ALDERSON.
3. Gen HARMONY agreed that the draft agreement should NOT be shown to Mr. KIM. On the subject of the press release he agreed that it would be unwise to issue to the press a statement quoting figures.
4. Brig ALDERSON advised the meeting that Gen HARMONY had promised to keep BCFK and the British Legation fully informed on the progress of the negotiations. The result of the meeting with Mr. KIM on 15 Dec 55 was advised by signal and circulated to those concerned.
5. Brig ALDERSON stated that a signal had been received by the CinC BCFK containing details of a further meeting between Gen HARMONY and Mr. KIM on 19 Dec 55. He had obtained a copy from Col RILEY and copies were issued to those present. It had been thought that another trip to KOREA might be necessary but after reading the signal and discussing it with Col RILEY, he thought that very little could be done until Mr. KIM's paper had been received and studied. He stated that, on receipt, the paper would require comments as soon as possible, because the ROK evidently want the agreement concluded as soon as practicable - preferably by 1 Jan 56. This would NOT be possible but it may be complete by 1 Feb 56. In any case NO payments would be made and NO agreement concluded until the ROK agreed to the principles.
6. Brig ALDERSON posed the question that, as the agreement will be between the Unified Command and ROK, and each participating state is to arrange individually for its utilities services settlements, will it be necessary for each contract to be agreed by Unified Command, or will it be possible for each state to make its own separate contracts or only means of settlement. He asked whether, in the case of BCFK, the contracts would be made through the contracts officer, BCFK, or by CinC BCFK, or by Unified Command.
7. Mr. FURLEY-SMITH said that he had received NO guidance from LONDON on the matter but thought that the normal contract system would be adopted.
8. Brig ALDERSON said that this was the only point on which any difficulty might arise, and suggested that the Embassy representatives should be able to present him with their combined views by 28 Dec 55.

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It was possible that he might have to leave for KOREA in a hurry and NO further time could be allowed. He stated that NO contract should be signed until it has been checked to ensure that it does NOT run counter to US contracts.


9. Mr RETTIE asked whether contracts for further services would be governed by the major agreement. Brig ALDERSON replied that they would and that the principles governing the main agreement would apply.
10. Mr RETTIE was of the opinion that it was NOT necessary to have the contracting parties specified before the conclusion of the agreement, and that lack of time might prevent a decision being received from the various governments. He also thought it possible that there would be a divergence of opinion between the governments.
11. Brig ALDERSON quoted from paragraph 1 of Article IV of the draft agreement. Mr. RETTIE pointed out that Unified Command was responsible for negotiating "new arrangements relating to the provision of utilities services" but that payments were to be made separately by each government. He did NOT think that there was anything for the governments to decide regarding payment until after the agreement was signed. Brig ALDERSON pointed out that once the agreement is signed, payments will commence and we must know what we are liable for.
12. Brig ALDERSON asked whether he should insist that Unified Command negotiate all the contracts. He was of the opinion that the US were prepared to use their normal procedures for negotiating the contracts. He asked whether it would be necessary for a BCFK representative to be with the US contracting agency and would the contract be signed by the Unified Command.
13. Mr RETTIE asked whether the principles for negotiation stated that the governments had to enter into separate contracts. (He quoted from para 8 of Cinc UNC directive). Brig ALDERSON thought that they have authority to make separate contracts providing they do NOT run counter to US contracts. When the US negotiate their contracts a paragraph could be included stating that similar treatment be given to the other UN governments. Then it would be necessary to ensure that they made contracts similar to the US.
14. Brig ALDERSON asked whether US must enter into the agreements as the US or as Unified Command. Mr RETTIE said that the Unified Command is offering an agreement. If they are willing to negotiate on behalf of all, we should let them do it.
15. Brig ALDERSON asked if it would be necessary to have a BCFK representative at meetings on power, etc contracts if the US agree to negotiate them as Unified Command. Mr. FURLEY-SMITH suggested that the ROK may be prepared to offer more generous terms to US owing to payment being in dollars instead of hwan or other currency.

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- 3 -

16. Brig ALDERSON said that Gen HARMONY's views were that their own contract people should carry out the negotiations. He wanted an assurance that if he resisted this the Commonwealth representatives would support the stand.
17. A general discussion followed on the system of negotiating contracts under the UN/JAPAN Agreement. Mr. RETTIE asked if it would be possible that the ROK would agree to have some government agency negotiate a master contract. Brig ALDERSON stated that it was possible that the contracts would be with a mixture of government and private concerns.
18. M Mr GREENHILL stated that if only 6 or so contracts were involved we should be represented at the negotiations unless Gen HARMONY has some strong objection which cannot be overcome when the position would need reconsideration. Brig ALDERSON was of the opinion that BCFK should have at least a watching brief. Major CROSBY suggested that it might be suitable to say that there should be NO agreement signed without our consent.
19. Mr FURLEY-SMITH stated that it was essential that the ROK agree to equality of treatment, when we can then insist on terms at least as good as those received by US. He stated that BCFK representation would NOT cause US to get any better treatment but at least they should be represented.
20. Mr RETTIE stated that, in view of US liberality over the Japanese Master Labour Contract, it would be advisable to attempt to achieve equality with US as early as possible in the negotiations and that, therefore, it would be preferable to 'sit in', at the negotiations. Brig ALDERSON was of the opinion that the US would insist on a bargain. However, he wanted to take part in any overall arrangements made, after which negotiations could proceed for our own agreements on the same terms as the US.
21. Mr RETTIE suggested that most problems would be solved if the ROK could be persuaded to write into the agreement a clause guaranteeing parity with the US. Brig ALDERSON agreed and stated that he would be present at the next meeting and would endeavour to have this done.


Capt
(H.W. FOPE)
Secretary

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HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
AND
EIGHTH UNITED STATES ARMY
APO 301, San Francisco, California

19 December 1955

Dear Colonel Daunt:

In order that you may be informed as to the present status of negotiations with the Republic of Korea for the purpose of settling in one agreement the Republic of Korea's claims and accounts against the Unified Command consisting of the United States and those nations furnishing military forces and field hospitals, in the field of "utilities and services", and for real estate, I am inclosing copies of pertinent papers. It is believed that this procedure will best inform you as to the status of these negotiations.

Each individual inclosure bears its security classification. It is requested that the information contained in this letter and in the various inclosures not be released to the press without prior notification to and approval by Major General John W. Harmony, U.S. Army, Senior Negotiator, or by the undersigned acting as his representative.

The first inclosure is a diary covering the periods 14 December 1955 through 17 December 1955. This diary will be reserved for miscellaneous minor details and for transactions concerning establishment of dates, times and places of meetings. Dates when no transactions occur will be so noted in future issues.

The second inclosure is the Senior Negotiator's report of the first meeting. The reference number is KA 71378 and it is dated 16 December 1955.

The third inclosure is the Senior Negotiator's press release of 15 December 1955.

The fourth inclosure is a press report from Associated Press correspondent, Mr. Bill Shinn. Mr. Shinn filed his story following an interview with the ROK Minister of Finance and/or members of his staff. Mr. Shinn did not contact the PIO of this headquarters, General Harmony, the Senior Negotiator, nor any other U.S. official connected with these negotiations to determine the accuracy of his report.

The fifth inclosure is the Senior Negotiator's press release of 16 December 1955 following the incorrect AP press story by the Seoul representative.

The sixth inclosure is a press report from Agence France Presse correspondent, Mr. Young Lee. Mr. Lee's report is a rewrite of the Senior Negotiator's release (the third inclosure hereto).

As shown in the diary for 17 December 1955, a second meeting between Mr. Kim and the Senior Negotiator is scheduled to be held in Mr. Kim's office at 1500 hours, 19 December 1955. You will be supplied with further information after that meeting has been concluded.

Sincerely,
(signed) LIONEL R. INGRAM
Colonel CE

Representative of the Senior Negotiator

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NEGOTIATIONS ROK CLAIMS AND ACCOUNTS
AGAINST THE UNIFIED COMMAND

Diary

14 December 1955. An exchange of telephone conversation between Mr. Ho Sun Yoo, Special Assistant to the ROK Minister of Finance and Colonel Lionel R. Ingram, US Army, AFPE/8A, member of the negotiating team and representative of Major General John W. Harmony, US Army, Senior Negotiator, established the date, time and place of the first meeting between Mr. Hyun Chul Kim, ROK Minister of Finance, representing the Republic of Korea, and Major General John W. Harmony, US Army Senior negotiator representing the Unified Command. It was mutually agreed that the first meeting would be informal to get acquainted, and to discuss the position of the Unified Command as stated in a letter dated 17 September 1955 to the ROK Minister of Finance from the Commander-in-Chief, United Nations Command. The meeting was scheduled for December 15, 1955, at 1400 hours in the office of the ROK Minister of Finance.

15 December 1955. General Harmony and Colonel Ingram met with Mr. Kim, Mr. Yoo, Mr. Hahn Been Lee, Mr. Chang, and a representative of the Minister of Transportation. After the meeting General Harmony dispatched a telegraphic report (KA 71378) to all other agencies furnishing members or advisors to the negotiating team. A news release was also issued by General Harmony.

16 December 1955. Mr. Yoo telephoned Colonel Ingram and proposed that a second meeting be held at 1000 hours, 17 December 1955. Colonel Ingram discussed this proposed date and hour with General Harmony, who proposed 1500 hours, 19 December 1955 as a time. Colonel Ingram returned Mr. Yoo's call and stated General Harmony's proposed time. Mr. Yoo said he would convey this information to Mr. Kim and call back at 0915 hours, 17 December.

17 December 1955. Mr. Yoo telephoned Colonel Ingram and stated Mr. Kim had agreed to General Harmony's proposal to meet at 1500 hours, 19 December. The place was agreed to be in Mr. Kim's office.

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16 December 1955

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FROM: CGAFFE/8A KOREA

PRIORITY

PRIORITY

TO: CGAFFE/8A (REAR)

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INFO: CINCUNC TOKYO JAPAN

DC/S (1)

COMFEAF

G-1 (1)

COMNA VEE

G-2 (1)

BRITISH COMMONWEALTH FORCES JAPAN

G-3 (1)

CINCREP KOREA (COURIER)

Cml (1)

AMEMB SEOUL KOREA (COURIER)

Engr (1)

Ord (1)

QM (1)

Trans (1)

G-4 (5)

LA 71378 KGL-P. Ref: Msg C-74059. This msg in four (4) parts.

Part 1. Major General Harmony, Senior Negotiator for the Unified Command, met with Mr. Kim, Minister of Finance, ROK, at 1400 hours, 15 Dec 55. The principles stated in CINCUNC's letter of 16 Sep 55 to Mr. Kim were reaffirmed.

Part 2. The position of the Unified Command that all ROK claims and accounts for utilities services and real estate for the period 25 Jun 50 to the effective date of the settlement agreement must be waived before new contracts for utilities could be made, was strongly impressed on Mr. Kim. Mr. Kim was not satisfied with this position, but when informed that counter-proposals could result in only greater delay in negotiating contracts for utilities services, stated that he would study the matter for a few days, and then contact General Harmony for an appointment.

Part 3. During the discussion today, Mr. Kim expressed, but did not submit as a counter-proposal, the proposition of negotiating contracts for utilities commencing 1 Jan 55 repeat 1 Jan 55, with the proviso that payments on such contracts do not prejudice the final settlement of claims for the period prior to that date. He was exceedingly anxious to separate settlement of past claims from contract negotiations for future service, but at the same time considered the period from 1 Jan 55 as part of the "future." He did not press for comparison figures on Unified Command and ROK contributions, indicating agreement that expenditures were in favor of Unified Command. He did express the desire for the United States to pay the Republic of Korea claims unilaterally, rather than participate as a part of the Unified Command.

Part 4. General Harmony made it very clear that he was appointed to represent the Unified Command, and that he did not represent the United States Government, and was not discussing the matter for the United States Government. He emphasized over and over again the desirability of ROK acceptance of the Unified Command position so that contract negotiations for future utility services could get under way and the certain delay if new proposals are submitted for consideration of the Unified Command. The meeting was informal and was conducted in a friendly atmosphere. While it is recognized that Minister Kim does not have authority to make the decision in this matter, there is no doubt but that he understands fully that failure to accept the Unified Command position will most certainly prevent the receipt of any funds for a long time.

/s/ John W. Harmony
/c/ JOHN W. HARMONY
Major General, USA

/s/ E.J. Luce
CWO - USA
ASST ADJ GEN

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COPY

UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA

15 December 1955

IMMEDIATE RELEASE:

Major General John W. Harmony, the Principal Negotiator for the Unified Command, met with Republic of Korea Finance Minister, Kim Hun Chul, in the Minister's office at 2:00 p.m. today.

The following is a statement issued by General Harmony at the conclusion of the meeting:

"I met with Mr. Kim Hyun Chul, ROK Minister of Finance, this afternoon to become acquainted with him and to discuss informally the subject of claims and accounts in the field of utilities services which have arisen since 1950 as a result of the military forces and other assistance furnished the Republic of Korea under the resolution of the Security Council of 7 July 1950.

From the initiation of assistance by those United Nations countries who formed the Unified Command, they and the ROK Government worked together to defend the Republic of Korea from Communist aggression. During this combined effort both the Unified Command and the ROK Government contributed to provide utilities services to the people of the Republic of Korea and to the forces fighting to defend them.

As principal negotiator of the Unified Command, I explained the previously made proposal that both the ROK and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against Communism.

I informed Minister Kim that, although the contributions of the Unified Command for providing utilities services to the people of the Republic of Korea and the forces fighting in their defense exceeded that of the Republic of Korea, all nations who furnished military forces and field hospitals to the Unified Command agreed to waive all claims against the Republic of Korea for such services provided the Republic of Korea likewise would waive such claims against them.

The discussion, which was purely exploratory in nature, was conducted in an atmosphere of friendly understanding. It ended with the Minister stating that he would give further study to the proposal and contact me later."

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15 Dec 1955

TT to Associated Press

Shinns 01735 Seoul December 15 -- South Korea today requested the US Army here to make the payment of some six hundred and eighty-four million dollars for the land, buildings, power and water supplies, and communication facilities used by the UN Forces since the outbreak of the Korean War.

Finance Minister Kim Hyun Chul presented the bills totaling six hundred and eighty-four million and six hundred thousand dollars to Major General John W. Harmony, Chief of Staff, AFPE/Eighth Army, in a meeting at Kim's office.

Kim told Harmony that South Korean electric companies and other enterprises are confronted with "great difficulties" because of the delay in liquidating by the United Nations Command of the "debts incurred by these past services."

Harmony was reported to have told Kim that the Army would study the Korean request in "cooperative spirit".

"General Harmony has explained the previously made proposal that both the ROK and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against Communism."

The discussion, which was purely exploratory in nature, was conducted in an atmosphere of friendly understanding.

endit Shinn

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COPY

TT to Agence France Presse

4371

Seoul, Young Lee

"The United Nations unified command today entered preliminary negotiations with the ROK finance ministry over the claims for utilities service.

Major General John W. Harmony, principal negotiator of the Unified command, in a release issued this evening said that he met with Korean Finance Minister Kim Hyun Chul in the afternoon to learn the latter's views concerning the issue.

General Harmony also said that he explained to Minister Kim a previously made proposal that both the ROK and the unified command waive all past claims one against the other for utilities services utilized in the struggle against Communism.

The ROK Government spokesman recently said that the United Nations Command should pay for the rent, electricity and water provided it by the ROK authorities. General Harmony said the contributions of the unified command for providing utilities services to the people of the Republic of Korea and the forces fighting in their defense exceeded that of the Republic of Korea.

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COPY

UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA

16 December 1953

IMMEDIATE RELEASE:

The Associated Press report concerning yesterday's meeting of Kim Hyuñ Chul, Finance Minister of the Republic of Korea and Major General John W. Harmony, Principal Negotiator for the Unified Command erroneously reported that, "Finance Minister Kim Hyun Chul presented bills totaling \$684,600,000 to Major General John W. Harmony."

Minister Kim presented no bills to General Harmony. Nor were specific sums of money discussed in the informal meeting. The purpose of the meeting was to re-state the Unified Command's position that its contribution in services and supplies far exceeded that of the ROK during the conflict that started in 1950. General Harmony, as Principal Negotiator for the Unified Command, re-stated the proposal previously advanced that, "Both the ROK and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against Communism."

It is not anticipated that any bills will be accepted in a future meeting which will be devoted to this proposal.

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HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
AND
EIGHTH UNITED STATES ARMY
APO 301, San Francisco, California

20 December 1955

Dear Colonel Daunt:

Reference my letter to you dated 19 December 1955.

There are three papers inclosed in this letter which contain information concerning the Republic of Korea claims and accounts.

The three papers are: Inclosure 1 is General Harmony's press release of 19 December 1955. A diary for 18 and 19 December is the 2nd inclosure. Inclosure 3 is a message report to members of negotiating teams and advisors to American Embassy and Commander-in-Chief's representatives.

You will be provided any new information as it develops.

Sincerely,

/s/ Lionel R. Ingram
/t/ LIONEL R. INGRAM
Colonel CE
Representative of the
Senior Negotiator

Lieutenant Colonel W. W. D. Daunt
British Commonwealth Liaison Group
c/o Chief, United Nations Liaison Section
Hq, United Nations Command
APO 500

CITY

UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA.

19 December 1955

IMMEDIATE RELEASE:

Mr. Kim Hyun Chul, Finance Minister of the Republic of Korea and Major General John W. Harmony, the Senior Negotiator for the Unified Command, met again today at the request of the former, to continue their informal discussion on the subject of claims and accounts in the field of utilities services which have arisen since 1950, as a result of the military forces and other assistance furnished the Republic of Korea under the resolution of the Security Council of 7 July, 1950.

During the meeting today the specific principles comprising a formula for settlement, contained in a letter of 16 September 1955 to the Minister of Finance, from Headquarters of the Commander-in-Chief, United Nations Command, were studied by the two officials together. As a result of the discussion, Minister Kim agreed to present to General Harmony at an early date a paper stating the position of the government of the Republic of Korea on each principle stated in the letter, or the specific questions where the language of the letter needed clarification.

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NEGOTIATIONS ROK CLAIMS AND ACCOUNTS
AGAINST THE UNIFIED COMMAND

Diary

18 December 1955. No Report.

19 December 1955: General Harmony and Colonel Ingram met with Mr. Kim and Mr. Yoo at 1500 hours this date at the request of the Minister of Finance. The meeting was in Mr. Kim's office, and was a continuation of the informal meeting of 15 December 1955. Purpose: to obtain, if feasible, Mr. Kim's acceptance of the UNC principles issued the ROK by UNC in letter of 16 Sep 55. Mr Kim continues to press for a separation of past claims from "new arrangements"; wants contracts so that money will start rolling in; wants claims to be settled in Washington. By Washington, he may mean UNC, but it is felt he means the U.S. bilaterally with ROK. Mr. Kim posed many questions about principles. General Harmony asked Mr. Kim to put his questions in writing and include comments of ROKs and any proposals he desired to make, such as the one he has made orally regarding separation of claims and contracts for future. General Harmony stated he would refer any such writing to the negotiating team and if necessary to the Unified Command. General Harmony made it clear that a referral of counter proposals to the Unified Command would result in great delay regarding contracts for the future. General Harmony continues to keep Mr. Kim clearly informed that he is representing the Unified Command and not the United States Government and that no proposals will be entertained except proposals directed to the Unified Command.

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READING COPY

20 Dec 55

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PRIORITY

FROM: CG AFFE/8A KOREA

DISTRIBUTION: C/S (2)

TO: CGAFFE/8A (REAR)

DC/S (1)

INFO: CINCUNC TOKYO JAPAN

G1 (1)

COMFEAF

G2 (1)

COMNAVFE

G3 (1)

BRITISH COMMONWEALTH FORCES JAPAN

Cml (1)

CINCREP KOREA (COURIER)

Engr (1)

AMEMB SEOUL KOREA (COURIER)

Med (1)

Ord (1)

QM (1)

Trans (1)

G4 (1)

KA 71394 KCS. Ref: Msg KA 71378. This message in seven (7) parts.

Part 1. Major General Harmony and the ROK Minister of Finance, Mr Kim, met again at 1500 hours, 19 Dec 55 at the request of the latter to continue their informal discussion of the subject of ROK claims and accounts.

Part 2. The discussion started off with my asking Minister Kim whether he had received General Lemnitzer's letter dated 17 Dec 55. This letter contained the following paragraph: "I am sure you are aware that any major deviations from the formula outlined in previous letters to you concerning this matter will require resubmission to the sixteen nations that furnished military forces and field hospitals to Korea. Accordingly, I urge that every effort be made to arrive at a settlement within the framework of that formula". Minister Kim had received the letter, consequently, I asked whether or not the ROK would accept the formula referred to without "major deviations". Minister Kim stated that there were no "major deviations" and that he felt that negotiations of contracts for payment on a "current basis" could begin. Inasmuch as, at the previous meeting, he had suggested the date of 1 Jan 55 at the beginning of the "future" period, I asked again what date he proposed for such contracts to become effective. This time he suggested that the date the last power barge, which had been located at Pusan, departed would be appropriate. This was 16 Oct 55 when the Impedance left Korea for repairs in Japan.

Part 3. The discussion about the beginning of the "current basis" period caused me to ask Minister Kim to refer to the letter of 16 Sep 55 from Hq, UNC, in which the principles proposed by the Unified Command were clearly expressed. We discussed this letter together. During that discussion I pointed out that each principle stated in that letter should be answered specifically so that the ROK position was clear-cut. I informed Minister Kim that this is not a subject to be dealt with piecemeal and that before we could discuss it further he should present a paper accepting or rejecting the principles set forth.

Part 4. In discussing the principles point by point with Minister Kim he asked the meaning of "waiving taxes, interest and similar charges" stating that Korea's laws did not permit the waiving of taxes. I then told Minister Kim that the paper he was to prepare showing the ROK position on each principle should include also any specific questions where the language in the letter of 16 Sept needed clarification or where the meaning was not clearly understood.

Part 5. Minister Kim agreed to prepare such a paper stating that it would be done promptly and asked that he and I get on with negotiating contracts for payment on a "current

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basis". I informed Minister Kim that the action he proposed was beyond my authority and that when I received his paper stating the ROK position I intended to assemble the negotiating team which would study it with a view to determining whether "major deviations" were proposed therein. Minister Kim stated he could prepare the paper promptly and asked if I could assemble the negotiating team next Monday, 26 Dec. I explained that several members of the team were in Japan; that I did not know their plans, and that I preferred to send each member a copy of his paper for study prior to assembling the delegation. I informed him that Monday was too soon.

Part 6. Minister Kim's broad statement that he did not feel that any "major deviations" would be contained in the ROK paper and his request to negotiate contracts for payment of utilities services on a "current basis" commencing sometime in the past indicates his strong desire to solve the problem. His suggestion that the current period begin two or three months ago instead of 1 Jan 55 as stated in the last meeting indicates a willingness on his part to give ground. I believe that my insistence on a ROK position for each of the fundamental principles set forth in the 16 Sept letter is gradually impressing him with the futility of attempting to solve this problem piece-meal.

Part 7. During the meeting today I took the opportunity to speak to Minister Kim about the editorial in the 17 Dec issue of "The Korea Republic". I stated that the editorial was untrue and completely biased, pointing out that it contained no information whatsoever relative to the Unified Command having expended great effort, much money, and great quantities of material in rebuilding and maintaining facilities to provide utilities services to the people of Korea as well as the military forces fighting in their defense. I stated further that the editorial made no reference to the proposal of the Unified Command to waive its claims providing the ROK would do likewise. Minister Kim stated he had not seen the editorial and that he was sure the omission of such facts was not intentional. I told him that the facts omitted were of such great importance that, personally, I felt the omission was intentional. There is no doubt in my mind but that Minister Kim was well aware of the editorial despite his statement to the contrary.

(signed)
Lionel R. Ingram
Col, CE

(signed)
E. J. Kuse
CWO, USA
Asst Adj Gen

CONFIDENTIAL

210-7-13

HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
AND
EIGHTH UNITED STATES ARMY
APO 301, San Francisco, California

File
ER

30 December 1955

Dear Colonel Elwood:

The inclosed papers are forwarded herewith for your information. They show the latest developments in the negotiations for settlement of claims and accounts in Korea. It is believed that they are self-explanatory.

The information contained in these papers should not be released to the press without prior notification and/or approval by the Senior Negotiator, Major General John W. Harmony, or the undersigned, as his representative.

Sincerely,

Lionel R. Ingram

LIONEL R. INGRAM
Colonel CE
Representative of the
Senior Negotiator

58 Incls:

1. CINCUNC ltr of
16 Sep 55
2. Gen Lemnitzer's ltr
of 17 Dec 55
3. Minister Kim's ltr of
27 Dec 55
4. Gen Harmony's ltr to
Minister Kim, 29 Dec 55
5. Gen Harmony's ltr to CG
AFFE/8A (Rear), dtd 30 Dec 55

Colonel Eric D. Elwood, MBE, CD
Canadian Liaison Group
c/o Chief, United Nations Liaison Section
Hq, UNC, APO 500

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התאחדות העובדים הכללית
התאחדות העובדים הכללית
התאחדות העובדים הכללית
התאחדות העובדים הכללית

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1. The first step is to identify the problem or question that needs to be answered. This involves understanding the context and the specific requirements of the task.

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המחבר מודה כי אין זה נכון להניח כי כל המדינות המערביות הן דמוקרטיות, וכל המדינות המזרחיות הן טוטליטריות. ישנן מדינות מערביות שהן טוטליטריות, וישנן מדינות מזרחיות שהן דמוקרטיות. עם זאת, המחבר סבור כי ישנן מדינות שהן דמוקרטיות, וישנן מדינות שהן טוטליטריות, וישנן מדינות שהן דמוקרטיות, וישנן מדינות שהן טוטליטריות.

U.S. GOVERNMENT PRINTING OFFICE:

SECRET

16 September 1955

My dear Mr. Minister:

Reference is made to your letter of 27 July 1955 and the reply of the Commander-in-Chief, United Nations Command thereto dated 20 August 1955. The purpose of this letter is to inform you that the United Nations Command is now prepared, at such time and place as you may indicate, to negotiate the Settlement of claims and accounts for utility services, i.e., the use of transportation and communications systems or the use or consumption of electricity, water, steam heat, light and power, however produced, and for the use of real estate, on behalf of the United States and on behalf of the governments of those nations furnishing military forces and field hospitals to the Unified Command. The United Nations Command is also prepared to negotiate arrangements pertaining to the future provision of utility services to United States Forces and to the forces of other nations furnishing military forces and field hospitals to the Unified Command by your Government on a current basis.

As a basis for negotiation of an equitable settlement of claims and accounts as defined above, it is proposed that the over-all period be considered under three separate headings, generally as follows:

- a. The hostilities period prior to the cease-fire order of 27 July 1953.
- b. The post-hostilities period beginning 28 July 1953 and extending to the effective date of new arrangements entered into between agencies of the respective governments.
- c. The future use period beginning on the effective date of the new arrangements.

It is the position of the United States and those nations furnishing military forces and field hospitals to the Unified Command that:

- a. Claims and accounts shall not accrue for (1) damage resulting from combat activities, and (2) taxes, interest and similar charges.
- b. No payment should be made for utility services furnished during the hostilities or post-hostilities periods in view of the assistance furnished by the United States and by those nations furnishing military forces and field hospitals to the Unified Command in maintaining the security of the Republic of Korea, and in view of the value of equipment, materials, supplies and services furnished by those nations to help maintain the Republic of Korea utilities in operation.

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c. No payment should be made for the use of real property, i.e., land, buildings and other structures, or for the removal, modification or restoration of any real property altered during its use at any time by the United States and by those nations furnishing military forces and field hospitals to the Unified Command.

d. After the effective date of the new arrangements, entered into by the United States and by those nations furnishing military forces and field hospitals to the Unified Command and the Republic of Korea, utility services furnished by the Republic of Korea to those forces should be on a current basis.

Your agreement is requested to the above general principles for the bulk settlement of claims and accounts for utility services and use of real estate furnished by the Republic of Korea to the United States and those nations furnishing military forces and field hospitals to the Unified Command.

The position of the United States and of those nations furnishing military forces and field hospitals in Korea is that no payment should be made for utility services furnished prior to the effective date of new arrangements. However, if the Republic of Korea so desires, the Unified Command is prepared to enter into a detailed comparison of Republic of Korea claims and accounts for utility services furnished by the Republic of Korea and the equipment, materials, supplies and services furnished to the Republic of Korea in support of the Republic of Korea utilities. For this purpose, the value of equipment, materials, supplies and services provided to the Republic of Korea by the United States and by those nations furnishing military forces and field hospitals to the Unified Command, on the onehand, and utility services furnished to such forces by the Republic of Korea, on the other hand, during the post-hostilities period only, should be utilized as offsets, one against the other, on a cumulative basis. In computing the value of claims and accounts, the military conversion rate applicable during the time the equipment, materials, supplies and/or services were furnished should be used.

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C O P Y

It will be appreciated if you will furnish this Headquarters the name of your representative with whom the Commanding General, United States Army Forces, Far East and Eighth United States Army, or his representative should consult concerning this matter.

Sincerely,

Elmer J. Rogers, Jr.
Lieutenant General, USAF
Chief of Staff

His Excellency Hyun Chul Kim
Minister of Finance
Republic of Korea
Seoul, Korea

Copies to:
Minister of Transportation, ROK
Minister of Commerce and Industry, ROK
Minister of Communications, ROK
Minister of National Defense, ROK

C O P Y

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C O P Y

C O P Y

COPY

17 Dec 55

My dear Mr. Minister:

In accordance with our conversation during my recent visit to Korea, I conveyed the substance of your remarks concerning the settlement of claims and accounts in Korea to the Honorable William M. Brucker, Secretary of the Army. The Secretary expressed his regret that his schedule did not permit his discussion of these matters with you personally.

The Secretary and I were both encouraged by your interest in promptly entering into new arrangements which would permit the individual using nations in Korea to settle on a current basis their obligations with the Republic of Korea for utility services.

I am sure you are aware that any major deviation from the formula outlined in previous letters to you concerning this matter will require resubmission to the sixteen nations that furnished military forces and field hospitals to Korea. Accordingly, I urge that every effort be made to arrive at a settlement within the framework of that formula.

I wish to assure you again of my continuing interest in the efforts of your Government to maintain effective military forces and a stable economy in the Republic of Korea.

Sincerely,

/s/ L. L. Lemnitzer
/t/ L. L. LEMNITZER
General, United States Army
Commander-in-Chief

His Excellency Hyun Chul Kim
Minister of Finance
Republic of Korea
Seoul, Korea

Incl 2

Copy

MINISTRY OF FINANCE
REPUBLIC OF KOREA
SEOUL KOREA

December 27, 1955

My dear General Harmony;

In accordance with our last conversation I would like to convey this letter to you which contains comments and questions arising from the letter of 16 September 1955 by Lt. General Elmer J. Rogers, Jr.;

1. Referring to the period in three separate headings, we would like to be suggested the significance of separating hostilities and post-hostilities periods.

2. Referring to your position following comments which will reflect ROK position shall be given;

a) No payment for taxes should be a matter of further discussion in reference to tax laws of ROK.

b) No payment for utility services furnished during the hostilities or post-hostilities periods shall be serious matter to ROK including those firms contributed utilities services to UNC and they have been expected reimbursement which will make available them to offset their accumulated financial deficit since 1 July 1950. One of your justifications supporting no payment such as "the value of equipment, materials, supplies and services furnished by those nations to help maintain the Republic of Korea utilities in operation" could be considered some merit involved which requires further verification, however, the other one stating as "the assistance furnished by the United States and by those nations furnishing military forces and field hospitals to the Unified Command in maintaining the security of the Republic of Korea" would not suitably fit to the concept in view of the common fight against communist expansion and war torn Korean economy that needs assistance for rehabilitation from outside.

c) No payment for the use of real property, i.e., land, buildings and other structures, we can not agree. Because those services have been rendered in a large extent by civic people at the expense of their advantages and betterment of civil economy.

d) We shall agree to expedite new arrangements covering utilities as well as real estate services. Setting the effective date should be the matter of first consideration.

3. Referring to the second from the last paragraph, we find inconsistency of the statement which involves ambiguity such as at the beginning

it says that no payment should be made for utility services prior to the effective date of new arrangements. However, later half part suggests that UNC is prepared to enter into a detailed comparison of Republic of Korea claims and accounts for utility services furnished by the Republic of Korea and the equipment, materials, supplies and services provided to the Republic of Korea by the United States and by those nations furnishing military forces and field hospitals to the Unified Command. And it further states that during the post-hostilities period only both parties' contributions should offset on a cumulative basis. No reasons were mentioned why hostilities period was omitted for offset purpose.

4. In computing the value of claims and accounts, ROK official exchange rate should serve instead military conversion rate during the time the services were furnished.

It will be appreciated that if you could understand ROK position that is to settle new arrangements first, then, keep continue mutual efforts to set up formula for prompt and equitable settlements for the past claims and accounts in Korea.

Sincerely yours,

/s/ Hyun Chul Kim
/t/ Hyun Chul Kim
Minister of Finance
Republic of Korea

Major General John W. Harmony
The Representative of the Commanding General,
United States Army Forces, Far East and Eighth
United States Army for Negotiation and Settlement
of Claims and Accounts in Korea.

c/o AFPE/Eighth Army, Seoul Military Post,
Seoul, Korea

=2=

COPY

HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
and
EIGHTH UNITED STATES ARMY
APO 301
Office of the Senior Negotiator

29 December 1955

Dear Minister Kim:

This will acknowledge receipt of your letter of 27 December 1955, in which you submit your comments on the general principles for the bulk settlement of claims and accounts for utilities services and the use of real estate, as set forth in the letter of 16 September 1955 from Lieutenant General Elmer J. Rogers, Jr., Chief of Staff, United Nations Command.

My study of your letter reveals that your position in this matter results in such obvious major deviations from the formula outlined in previous correspondence that other members of the negotiating team need not be assembled at this time. Consequently, as stated in the third paragraph of General Lemnitzer's letter of 17 December 1955, I have no alternative but to forward your letter through Headquarters, United States Army Forces, Far East and Eighth United States Army (Rear) and through Headquarters, United Nations Command to the Unified Command, Washington, D. C.

As stated in our previous meetings, I have no authority to depart from the position already agreed upon by the Nations of the Unified Command; therefore, I consider that further meetings between us can serve no useful purpose unless and until I receive further instructions.

Sincerely,

/s/ John W. Harmony
/t/ JOHN W. HARMONY
Major General, United States Army
Senior Negotiator

Mr. Hyun Chul Kim
Minister of Finance, Republic of Korea
The Representative of the Republic of Korea
for the Settlement of Claims and Accounts in Korea
Seoul, Korea

Incl. 4

COPY

AG 150 KCS

30 December 1955

SUBJECT: Settlement of Claims and Accounts in Korea

TO: Commanding General
United States Army Forces, Far East
and Eighth United States Army
APO 343

1. On December 28, a letter was received from Mr. Hyun Chul Kim, Minister of Finance, Republic of Korea, setting forth the position of the government of the Republic of Korea with respect to the principles for the settlement of claims and accounts as stated in the letter of 16 September 1955, from Headquarters, United Nations Command and signed by Lieutenant General Elmer Rogers, Jr. The letter from the Minister of Finance is submitted herewith as inclosure 1.

2. A study of the letter from Minister Kim revealed that none of the principles announced in previous correspondence for the settlement of claims and accounts were acceptable to Minister Kim. On 29 December a reply to Minister Kim was sent, a copy of which is attached as inclosure 2.

3. In accordance with instructions contained in para 3.e. of letter, Hq, AFPE/8A (Rear), subject: Settlement of Claims and Accounts, dated 10 November 1955, file no. AFPE AG 150 GD-S, the letter from Minister Kim is submitted herewith.

2 Incls:

1. Minister of
Finance ltr,
dtd 27 Dec 55
2. Gen Harmony's reply
to Minister Kim,
dtd 29 Dec 55

JOHN W. HARMONY
Major General, General Staff
Chief of Staff

C O P Y

C O P Y

Incl 5

001130

C O P Y

AG 150 KCS

30 December 1955

SUBJECT: Settlement of Claims and Accounts in Korea

TO: Commanding General
United States Army Forces, Far East
and Eighth United States Army
APO 343

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John W. Harmony

Major General, General Staff
Chief of Staff

Inc. 2

C O P Y

AG 150 KCS

30 December 1955

SUBJECT: Settlement of Claims and Accounts in Korea

TO: Commanding General
United States Army Forces, Far East
and Eighth United States Army
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John W. Harmony

Major General, General Staff
Chief of Staff

Inc. 2

C O P Y

AG 150 KCS

30 December 1955

SUBJECT: Settlement of Claims and Accounts in Korea

TO: Commanding General
United States Army Forces, Far East
and Eighth United States Army
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John W. Harmony

Major General, General Staff
Chief of Staff

Inc. 2

C O P Y

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John W. Harmony

Major General, General Staff
Chief of Staff

Inc. 2

CONFIDENTIAL

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44/55
1/45/44



BRITISH EMBASSY,

TOKYO.

December 28, 1955.

1193/1/44/55

With the Compliments

of

Chancery

Her Britannic Majesty's Embassy.

Mr. E.R. Rettie,
Canadian Embassy,
Tokyo.

001135

To Mr. [redacted] in
4 file 6210-7-13
E.L.

CONFIDENTIAL

DEC. 29.1955

KOREAN CLAIMS NEGOTIATIONS

Record of meeting held in the British Embassy
at 3.30p.m. on Thursday, December 22, 1955.

PRESENT:

Brigadier B.E. Alderson	B.C.F.K.
Major Crosby	B.C.F.K.
Mr. E.R. Rettie	Canadian Embassy
Mr. R.W.L. Austin	Australian Embassy
Mr. R. Cunningham	New Zealand Legation
Captain M. Pope	U.N. Command
Mr. B. Greenhill	British Embassy
Mr. J.M. Furley Smith	British Embassy

Brigadier Alderson said he wished to give Commonwealth missions a brief account of his recent visit to Korea. In company with Mr. Malcolm of the British Legation in Seoul, he had called to see General Harmony before the General's meeting on December 15 with the R.O.K. Minister of Finance. They had had a full exchange of views and had found themselves to be in agreement on almost all points. In particular General Harmony appeared fully to understand the need for full and timely liaison with the Commonwealth representative on the negotiating team; B.C.F.K. had at last been placed on the circulation list for documents relating to the negotiations, and Brigadier Alderson said he felt confident that there should be no more difficulties through lack of liaison.

2. General Harmony's present informal discussions with the Koreans were an attempt to persuade them to accept the principles set out in the directive to U.N. Command before formal negotiations opened, and he would not, repeat not, present the draft agreement to the Koreans at this stage. It was difficult to forecast how soon agreement on principles might be reached, but it was possible that it might take place quickly. The Koreans had indeed expressed a wish to get the formal agreement signed and in operation by the end of the year, although this was obviously out of the question; at the earliest it could not be signed until some time in January, and the terms of the U.N. directive precluded any retroactivity.

3. Brigadier Alderson said he would like to have the views of the meeting on the question of how contracts for the future should be negotiated once the agreement had been signed: should they be negotiated separately by B.C.F.K. and the Americans or should they be negotiated jointly by a U.N. team on which B.C.F.K. should be represented? He added that General Harmony's intention was to leave this to the U.S. contract team. After considerable discussion it was agreed that:-

- (i) the overriding objective was to secure terms not less favourable than those accorded the United States;
- (ii) to this end, the draft agreement should be amended to include a clause providing for equal treatment of all U.N. components (while this might preclude our receiving better treatment than the United States,

/there...

*Implicitly
but not
explicitly
E.L.*

*i.e., the
usual con-
tracting
officer for
AFPE/8 Army.
E.L.*

-2-

there seemed no realistic prospect of this anyhow, whereas there was some risk that without such a provision we might receive worse treatment);

(iii)


provided this were done, the question of whether contracts were negotiated separately or jointly would become less important; but since any contracts negotiated separately by the United States would set the terms for B.C.F.K. as well it was obviously desirable that the latter should, if possible, have some voice in the terms of any contracts before they were concluded, and joint negotiation seemed the most effective way of achieving this. The number of separate contracts to be negotiated was unlikely to be very large.

4. Mr. Greenhill pointed out that the draft Agreement had been sent to London for consideration and that London had been asked to make any comments they had as quickly as possible. It might be, therefore, that the United Kingdom Embassy would have more points to make on the draft Agreement in due course. The other Commonwealth representatives spoke in similar terms.

December 28, 1955.

TRANSMITTAL SLIP

FILE COPY

TO:  Under-Secretary of State for External Affairs

Ottawa, Canada

FROM: The Canadian Embassy, Tokyo, Japan

Security... UNCLASSIFIED

Date... December 28, 1955

Air or Surface... Air

No. of enclosures... 1

The documents described below are for your information.

Despatching Authority... E. R. Rettie

File 210-7-13

Copies

Description

Also referred to:

2

Editorial from THE KOREAN REPUBLIC,

December 17, 1955

re: DEBTS OF U.N.C.

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 OF EDITORIAL IN "THE KOREAN REPUBLIC" DECEMBER 17, 1955

DEBTS OF THE U. N. C.

We are at a loss to understand the attitude of the United Nations Command in requesting cancellation of its Korean debts for utilities and land use. The UNC contention seems to be that since the United Nations and Korea have been engaged in a common war against the Communist aggressors, it should not have to pay for electricity, water, buildings and other services.

As we understand it, the United Nations originally agreed to pay, or at least there was an implied understanding to that effect. Furthermore, the United States has a long and honorable record of paying for what it must take or use, whether at home or abroad. The Korean War was fought in defense of Japan as well as of Korea, but the United States has paid - and often through the nose - for everything that it has used in Japan. The same is true in Europe.

Even under world war conditions, the United States does not ask its own people to supply the armed forces without compensation. The American Constitution, in fact, prohibits the government from taking property without due process of law and fair payment. Somehow we do not believe that the American people would approve one set of legal and moral principles at home and another in Korea.

This country greatly wishes it could afford the grateful gesture of cancellation as a small token of our appreciation for U.S. assistance. But our utilities are already insolvent because of the heavy uncompensated drains made upon them, and without payment of the UNC debts, they face ruin. We must respectfully request, therefore, that the United States urge the Command to settle its debts - not only in the interests of justice, but to materially further the reconstruction and rehabilitation of war-devastated Korea.

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

DESPATCH

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

FROM: The Canadian Ambassador, Tokyo, Japan

Reference: My Despatch No. 1790 of December 23, 1955

Subject: Korean Claims Negotiations

Security: CONFIDENTIAL
No: 1994
Date: December 23, 1955
Enclosures: 1
Air or Surface Mail: Air
Post File No: 210-7-13

Ottawa File No.	

References

The Naval, Military and Air Attache has been receiving reports on General Harmony's negotiations with Korean Finance Minister Kim from Colonel Ingram of AFPE/Eighth Army, which he has made available to the Embassy. These reports do not add very much to those which the Embassy has been receiving through BCFK. However, it appears that Colonel Ingram attended the meeting between General Harmony and Mr. Kim on December 19, 1955. Colonel Ingram's report has taken the form of a diary entry for that date, which appears in the enclosure to this despatch. You will note that Colonel Ingram refers in his report to the fact that Mr. Kim "continued to press for a separation of past claims from new arrangements". It is not entirely clear whether this means that Mr. Kim is willing to forget about past claims, i.e., waive them mutually, or whether he wants to ignore them for the time being in the hope of securing a unilateral waiver at a later date. Colonel Ingram's report does not convey quite the same impression of optimism as General Harmony's.

Internal
Circulation

T. C. DAVIS

Ambassador

Distribution
to Posts

C O P Y

CONFIDENTIAL

NEGOTIATIONS ROK CLAIMS AND ACCOUNTS
AGAINST THE UNIFIED COMMAND

Diary:

18 December 1955. No report

19 December 1955. General Harmony and Colonel Ingram met with Mr. Kim and Mr. Yoo at 1500 hours this date at the request of the Minister of Finance. The meeting was in Mr. Kim's office and was a continuation of the informal meeting of 15 December 1955. Purpose: to obtain, if feasible, Mr. Kim's acceptance of the UNC principles issued the ROK by UNC in letter of 16 Sep 55. Mr. Kim continues to press for a separation of past claims from "new arrangements"; wants contracts so that money will start rolling in; wants claims to be settled in Washington. By Washington, he may mean UNC, but it is felt he means the U.S. bilaterally with ROK. Mr. Kim posed many questions about principles. General Harmony asked Mr. Kim to put his questions in writing and include comments of ROKs and any proposals he desired to make, such as the one he has made orally regarding separation of claims and contracts for future. General Harmony stated he would refer any such writing to the negotiating team and if necessary to the Unified Command. General Harmony made it clear that a referral of counter proposals to the Unified Command would result in great delay regarding contracts for the future. General Harmony continues to keep Mr. Kim clearly informed that he is representing the Unified Command and not the United States Government and that no proposals will be entertained except proposals directed to the Unified Command.

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

DEPARTMENT OF EXTERNAL AFFAIRS, CANADA.

DESPATCH

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

FROM: The Canadian Ambassador, Tokyo, Japan

Reference: Mr. despatch No. 1279 of December 22, 1955 ...

Subject: Korean Claims Negotiations

Security: ~~CONFIDENTIAL~~

No: 1290

Date: December 23, 1955

Enclosures: 1

Air or Surface Mail: Air

Post File No: 210-7-13

Ottawa File No.

References

Naval, Military & Air
Attache

Attached is a copy of a telegram of December 20, 1955, containing General Harmony's report on his second meeting with Mr. Kim, the Republic of Korea Minister of Finance, on December 19, 1955. You will note that Mr. Kim appears to be willing to yield ground, at least to the extent of intimating that the ROK would accept the principles in the United Nations side's position "without major deviations"; and of suggesting that the ROK would be willing to see the "current basis" (under which utilities services would be paid for) commence on October 16, 1955, rather than on January 1, 1955 as he had previously proposed. General Harmony appears to have got Mr. Kim to agree to give a written reply to the points raised in General Rogers' letter of September 16, 1955 at an early date.

2. At a meeting of representatives of Commonwealth diplomatic missions at the British Embassy on December 22, 1955 (at which the telegram containing General Harmony's report was distributed), Brigadier Alderson of the BCFK said that he had not attended the meeting - had not known of it, in fact - but that he was satisfied, after talking with General Harmony in Korea, that he and the General were in complete accord on the line to take with Mr. Kim. He said he was satisfied with the current arrangements for being kept informed by CINUNC and General Harmony. He had, however, urged General Harmony not to have any discussions of fundamental importance with Mr. Kim before the New Year, which was the earliest he could be sure of returning to Korea.

Internal
Circulation

3. Brigadier Alderson said that on the basis of his discussions with General Harmony and in the light of the latter's report on the December 19 meeting with Mr. Kim, he thought it possible that the Koreans might rapidly agree to the principles approved by the U.N. side and request the conclusion of an agreement on January 1, 1956, to be effective on that date. He thought that this would not be acceptable to General Harmony, who would require a little time to work out the details of and secure agreement on a draft formal agreement along the lines of the agreement already circulated for comments by AFPE/Eighth Army. He thought February 1, 1956 would be a more realistic target date for the effective date of the agreement.

Distribution
to Posts

4. Brigadier Alderson then asked what arrangements ought to be suggested for the conclusion of the utilities service contracts for the future. Should they be UNC contracts covering all participating governments, or contracts by individual countries (in which latter case, would BCFK act for all the Commonwealth countries)?

5. The meeting agreed after discussion that the following considerations ought to determine the future contracts:

2.

(a) the participating governments would wish to ensure that there was equality of treatment for them all;

(b) the draft agreement circulated by AFPE/Eighth Army, while respecting the principle that each participating government would make separate payments to the ROK suppliers of services, stated that the Unified Command would negotiate the new arrangements for services;

(c) it seemed advisable, therefore, to encourage General Harmony to obtain ROK agreement to the principle of equality and ensure that the eventual agreement as signed would provide adequate protection in this regard; and

(d) if the general principle of equality were guaranteed, it could be left to later decision how the contracts with individual ROK suppliers would be organized, bearing in mind the desirability of advance consultation with the US forces, as the largest consumer, before any contracts (by any participating country including the United States) with the suppliers were concluded.

6. Brigadier Alderson also wished to know if governments had yet provided comments on the AFPE/Eighth Army draft agreement. He explained that General Harmony had expressed an intention to call his negotiating team together to finalize the draft as soon as he had Mr. Kim's written acceptance "without major deviations" of the principles approved by the U.N. side and that this could take place very quickly. The meeting agreed to follow up the question of governmental comments. I should be grateful if you could provide me with the Canadian views as soon as possible.

7. There was also some discussion of the possibility that if the ROK were to accept the U.N. side's position at an early date and if some time were required to put the final agreement in written form, the ROK might have a legitimate basis for requesting its retroactive application to the date of their acceptance of the U.N. side's position. It was agreed that such a possibility was not apparently envisaged in the instructions to CINCUNC, but that it ought to be placed before governments as a possible development on which views should be formulated.

8. BCFK was asked to see whether a copy of General Lemnitzer's letter of December 17, mentioned in the attached telegram, could be obtained for Commonwealth missions.

T. C. DAVIS

Ambassador

C O P Y

confidential

TOO: 200900 Z Dec 55

TOR: 202219 I Dec 55

FROM: AFPE/ARMYEIGHT (K)

TO: AFPE/ARMYEIGHT (R)

INFO: CINCUNC, FEAF, COMNAVFE, BRITISH COMMONWEALTH FORCES,
CINCREP, AMEMB SEOUL

CITE: KA71394 KCS

Reference: Message KA 71378

1. Major General John Harmony and Mr. Kim ROK Minister of Finance met again at 1500 hours, 19 December 55 at the request of the latter to continue their formal discussion of the subject of ROK claims and accounts.

2. The discussion started off with my asking Minister Kim whether he had received General Lemnitzer's letter dated 17 December 55. This letter contained the following paragraph: "I am sure you are aware that any major deviations from the formula outlined in previous letters to you concerning this matter will require resubmission to the 16 nations that furnished Military Forces and Field Hospitals to Korea. Accordingly, I urge that every effort be made to arrive at a settlement within the framework of that formula." Minister Kim had received the letter; consequently, I asked whether or not the ROK would accept the formula referred to without "major deviations". Minister Kim stated that there were no "major deviations" and that he felt that negotiations of contracts for payment on a "current basis" could begin. Inasmuch as, at our previous meeting he had suggested the date of 1 January 55 as the beginning of the "future" period, I asked again what date he proposed for such contracts to become effective. This time he suggested that the date the last power barge, which had been located at Pusan, departed would be appropriate. This was 16 October 55 when the Impedance left Korea for repairs in Japan.

3. The discussion about the beginning of the "current basis" period caused me to ask Minister Kim to refer to the letter of 16 September 55 from Hq. UNC, in which the principles proposed by the Unified Command were clearly expressed. We discussed this letter together. During that discussion I pointed out that each principle stated in that letter should be answered specifically so that the ROK position was clear-cut. I informed Minister Kim that this is not a subject to be dealt with piece-meal and that before we could discuss it further he should present a paper accepting or rejecting the principles set forth.

4. In discussing the principles point by point with Minister Kim he asked the meaning of "waiving taxes, interest and similar charges" stating that Korea's laws did not permit the waiving of taxes. I then told Minister Kim that the paper he was to prepare showing the ROK position on each principle should include also any specific questions where the language in the letter of 16 September needed clarification or where the meaning was not clearly understood.

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

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2.

5. Minister Kim agreed to prepare such a paper stating that it would be done promptly and asked that he and I get on with negotiating contracts for payment on a "current basis." I informed Minister Kim that the action he proposed was beyond my authority and that when I received the paper stating the ROK position I intended to assemble the negotiating team which would study it with a view to determining whether "major deviations" were proposed therein. Minister Kim stated he could prepare the paper promptly and asked if I could assemble the negotiating team next Monday 26 December. I explained that several members of the team were in Japan; that I did not know their plans and that I preferred to send each member a copy of this paper for study prior to assembling the delegation. I informed him that Monday was too soon.

6. Minister Kim's broad statement that he did not feel that any "major deviations" would be contained in the ROK paper and his request to negotiate contracts for payment of utilities services on a "current basis" commencing sometime in the past indicates his strong desire to solve the problem. His suggestion that the current period begin two or three months ago instead of 1 January 55 as stated in the last meeting indicates a willingness on his part to give ground. I believe that my insistence on a ROK position for each of the fundamental principles set forth in the 16 September letter is gradually impressing him with the futility of attempting to solve this problem piece-meal.

7. During the meeting today I took the opportunity to speak to Minister Kim about the editorial in the 17 December issue of "The Korea Republic". I stated that the editorial was untrue and completely biased, pointing out that it contained no information whatsoever relative to the Unified Command having expended great effort, much money, and great quantities of material in rebuilding and maintaining facilities to provide utilities services to the people of Korea as well as the military forces fighting in their defense. I stated further that the editorial made no reference to the proposal of the Unified Command to waive its claims providing the ROK would do likewise. Minister Kim stated he had not seen the editorial and that he was sure the omission of such facts was not intentional. I told him that the facts omitted were of such great importance that, personally, I felt the omission was intentional. There is no doubt in my mind but that Minister Kim was well aware of the editorial despite his statement to the contrary.

HARMONY

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

001146

DESPATCH

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

FROM: The Canadian Ambassador, Tokyo, Japan.

Reference: My despatch No. 1277 of Dec. 21/55

Subject: Korean Claims Negotiations.

Security: RESTRICTED

No: 1279

Date: December 22, 1955

Enclosures:

Air or Surface Mail: AIR

Post File No: 210-7-13

Ottawa File No.

References

Korean press stories received in translation from a Tokyo news agency by the Embassy state that Korean Finance Minister Kim and General Harmony met on the claims question for a second time on December 19, 1955. There is no indication, however, of the result of the second meeting. The British Embassy has given notice that Brigadier Alderson is in Tokyo today and will give a report to representatives of Commonwealth diplomatic missions on the negotiations. He may have some knowledge of the second meeting which I will relay to you in due course.

2. There is no evidence in the press stories mentioned above of a softening of the Korean stand. Mr. Kim is quoted as follows in two statements made to the press before the second meeting:

"The Republic of Korea and the United Nations command agreed at the first meeting to draw a line between the bills for the past and those for the future. It is outrageous to try to balk the bills for the past in disregard of the ROK-US agreement of August, 1954, providing for the payments of all bills within two months....."

"The ROK-UNC talks on the Korean claims for payment for land, buildings and utilities used by UN forces in Korea are doomed if Maj. Gen. John W. Harmony is authorized to negotiate only about the payment of bills for services to be rendered in the future...."

Korean Government sources are quoted as admitting that the Government has not submitted a \$684-million bill for services rendered to the UN forces and as refusing to comment on "the UNC allegation" that the meetings with Harmony are intended solely to clarify that the ROK is the debtor. However, "Korean sources charge that the UNC allegation is contrary to the spirit of mutual assistance between two sovereign states."

T. C. DAVIS

Ambassador.

Internal
Circulation

Distribution
to Posts

DESPATCH

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

FROM: The Canadian Ambassador, Tokyo, Japan.

Reference: My despatch No. 1253 of Dec. 13/55

Subject: Korea - Status of Forces - Claims
Negotiations.

Security: CONFIDENTIAL

No. 1277

Date: December 21, 1955

Enclosures: Five (in duplicate)

Air or Surface Mail: AIR

Post File No. 210-7-13

Ottawa File No.

References

As you will no doubt have gathered from press reports and from General Harmony's press release of December 15/55 (a copy of which was hurriedly put in the air bag on December 16), General Harmony met with Korean Finance Minister Kim (erroneously called Hyun in my last telegram to you) on December 15 as planned. Today the Embassy received from the British Embassy in Tokyo copies of reports from Korea stating what happened. Copies of these are attached as follows:

(1) Telegram of December 14 from the British Legation, Seoul, stating that Brigadier Alderson and Malcolm (presumably Dugal Malcolm of the Legation) saw Harmony before the meeting with Kim and indicating that Harmony appeared to be anxious to proceed cautiously;

(2) Telegram of December 15 from the British Legation, Seoul, reporting that the meeting had taken place, that no decision was reached but that Korean Minister of Finance was to consider the United Nations side's position and make the next move; and,

(3) Telegram of December 16 from AFPE/Eighth Army in Korea (information copy to BCFK) containing the General's report on his meeting with Kim. You will note that this report re-emphasizes the apparent Korean desire to put current utilities services on a contractual basis as soon as possible. This tends to confirm Wood's report (my despatch under reference) that President Rhee might be willing to forego the past claims to realize immediate benefits. Mr. Kim did not make any concession, however; he even tried to split the common front on the United Nations side. General Harmony appears to have made an admirable demonstration of the collective character of his representations (although a technically faulty demonstration, I think, since it was my understanding that the "Unified Command" is in fact the "United States Government").

2. Also attached is a copy of General Harmony's second press release (December 16) refuting an AP report that Mr. Kim had presented bills amounting to over \$600-million to the General. The release goes on, somewhat unnecessarily in my opinion, to say that it is "not anticipated that any bills will be accepted in a future meeting". It is to be hoped that the Koreans will not be provoked

Internal
Circulation

Distribution
to Posts

-2-

by this into submitting bills. The General seems confident of his ability to best the Koreans in public as well as in private.

3. The British Embassy has also provided this Embassy with a copy of a telegram of December 14 (copies of which I attach) listing the members of the General's negotiating team. You will note that Brigadier Alderson of BCFK and Dugal Malcolm, First Secretary of the British Legation, Seoul, are included.

T. C. DAVIS

Ambassador.


CONFIDENTIAL

British Embassy,
Tokyo.

(1193/1/41/55)

December 20, 1955.

WITH THE COMPLIMENTS
OF
CHANCERY,
HER BRITANNIC MAJESTY'S EMBASSY.

Mr. E. R. Rettie,
Canadian Embassy,
Tokyo.

Enclosure No. 1

December 14, 1955

CONFIDENTIAL

Following received from Seoul.

Begins:

Alderson and Malcolm today saw General Harmony, leader of the United Nations Command negotiating group. He does not repeat not intend to negotiate or to present draft agreement to the Republic of Korea Minister of Finance on December 15. He will only ask the Minister to agree to the principles in letter of September 16. If the Minister agrees a formal meeting will be held later probably early January at which actual agreement can be discussed. If the Minister does not agree the General will refer back to United Nations Command without further discussion.

2. The General intends to put out press release in either case. (Tokyo have draft). He hopes to make it a joint release, but I see little hope of the Republic of Korea Minister signing it. The release will in any case not make any reference to costs of support furnished by either side, as was originally intended.

3. The General is anxious to meet the Minister alone and informally and I am sure this is right at the present stage. He is fully aware of the need to keep colleagues informed.

December 15, 1955.

 CONFIDENTIAL

Following received from Seoul.

Begins:

General Harmony saw the Minister of Finance this afternoon. No decision was reached. Minister is now considering United Nations position and will ask for another meeting when he is ready. Full report has gone to the Commander in Chief of United Nations Command who will inform B.C.F.K.

CONFIDENTIAL

Enclosure No. 3

HEADQUARTERS FAR EAST COMMAND

PRIORITY

TOO: 160145 Z Dec 55
TOR: 161410 I Dec 55

FROM: AFEL/ARLYLIGHT (K)

TO : AFEL/ARLYEIGHT (R)

INFO: CINCPAC, FLEF, COMNAVB, BRITISH COMMONWEALTH FORCES
JLPN, CINCPAC, JTB B 3001

CITE: KA 71378 KGL-P

Reference: Message C-74059.

1. Major General Harmony, senior negotiator for the Unified Command, met with Mr Kim, Minister of Finance, ROK, at 1400 hours 15 December 55. The principles stated in CINCPAC's letter of 16 September 55 to Mr Kim were reaffirmed.

2. The position of the Unified Command that all ROK claims and accounts for utilities services and real estate for the period 25 June 50 to the effective date of the settlement agreement must be waived before new contracts for utilities could be made, was strongly impressed on Mr Kim. Mr Kim was not satisfied with this position, but when informed that counter-proposals could result in only greater delay in negotiating contracts for utilities services, stated that he would study the matter for a few days, and then contact General Harmony for an appointment.

3. During the discussion 15 December, Mr Kim expressed, but did not submit as a counter-proposal, the proposition of negotiating contracts for utilities commencing 1 January 55, with the provision that payments on such contracts do not prejudice the final settlement of claims for the period prior to that date. He was exceedingly anxious to separate settlement of past claims from contract negotiations for future service, but at the same time considered the period from 1 January 55 as part of the "future". He did not press for comparison figures on Unified Command and ROK contributions, indicating agreement that expenditures were in favor of Unified Command. He did express the desire for the United States to pay the ROK claims unilaterally, rather than participate as a part of the Unified Command.

4. General Harmony made it very clear that he was appointed to represent the Unified Command, and that he did not represent the United States Government, and was not discussing the matter for the United States Government. He emphasized over and over again the desirability of ROK acceptance of the Unified Command position so that contract negotiations for future utility services could get under way and the certain delay if new proposals are submitted for consideration of the Unified Command. The meeting was informal and was conducted in a friendly atmosphere. While it is recognized that Minister Kim does not have authority to make the decision in this matter, there is no doubt but that he understands fully that failure to accept the Unified Command position will most certainly prevent the receipt of any funds for a long time.

PRIM INT: COMPT

INFO : COMS, J2, J3, J4, J5, PIO, UN LN SEC

98884

LD/mh

Enclosure No. 11
Katherine M. Newton
E.L.

UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA

1830
16 December 1955

For Immediate Release:

HARMONY DENIES ROK POWER CLAIMS

The Associated Press report, concerning yesterday's meeting of Kim Hyun Chul, Finance Minister of the Republic of Korea and Major General John W. Harmony, Principal Negotiator for the Unified Command erroneously reported that "Finance Minister Kim Hyun Chul presented bills totaling \$684,600,000 to Major General John W. Harmony."

Minister Kim presented no bills to General Harmony. Nor were specific sums of money discussed in the informal meeting. The purpose of the meeting was to restate the Unified Command's position that its contribution in services and supplies far exceeded that of the Republic of Korea during the conflict which started in 1950. General Harmony, as Principal Negotiator for the Unified Command, restated the proposal previously advanced that, "Both the Republic of Korea and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against communism."

It is not anticipated that any bills will be accepted in a future meeting which will be devoted to this proposal.

- 0 -

CONFIDENTIAL
HEADQUARTERS, FAR EAST COMMAND
Adjutant General's Office
Radio Section

CONFIDENTIAL

INCOMING MESSAGE

INCOMING MESSAGE

CONFIDENTIAL

COURIER

TOO: 140809 Z DEC 55

TOR: 151612 I DEC 55

FROM: AFPE/ARMYEIGHT (R) (G4)

TO : AFPE/ARMYEIGHT (K) (GENERAL HARMONY)

INFO: CINCUNC, COMNAVFE, FEAF, AMEMB KOREA, CINCREP

CITE: FM 913978

Reference: C 74059, 171036 Z Sep 55,

1. Regarding Part V reference message:

a. The following named as members of the Negotiating Team: Senior Negotiator: Major General John W. Harmony, Chief of Staff, AFPE/ARMYEIGHT APO 301; AFPE/ARMYEIGHT Member: Col Lionel R. Ingram, Hq AFPE/ARMYEIGHT, APO 301; AFPE/ARMYEIGHT alternate: Lt Col John T. Heston, Office, ACOFS, G-4, AFPE/ARMYEIGHT, APO 301; COMNAVFE Member: Commander Charles B. Kelly, USN, COMNAVFE Admiralty Officer, COMNAVFE FPO San Francisco, California; COMNAVFE Alternate: Lt Commander William T. Collins, USN, COMNAVFE Assistant Force Supply Officer, COMNAVFE, FPO San Francisco, California; COMFEAF Member: Lt Col James E. Benedict III, Director of Facilities Support, Hq FEAF, APO 925; COMFEAF Alternate: Lt Col Jarvis R. Kingston, 67th Tactical Recon Wing, APO 317; CINCUNC Member: Lt Col Frederick F. Riley, Office of the Comptroller Hq UNC, APO 500; British Commonwealth Member: Brigadier B E Alderson, Financial Advisor to CINC British Commonwealth Forces Korea, care of British Commonwealth Sub Area, Tokyo, British APO 5; British Commonwealth Advisor: Mr Dugal Halcplm, First Secretary of British Legation, Seoul Korea.

b. The following have been named as advisors to the Negotiating Team: AMEMB SEOUL, Advisor: Mr Willard O. Brown, First Secretary, AMEMB, Chief Economic Section; AMEMB SEOUL: Alternate: Mr Johnathan D Petry, Economic Officer, AMEMB SEOUL: CINCREP Advisor: Mr Henry J. Costanzo, Office Economic Coordinator Seoul, Korea; CINCREP Alternate: Mr James A Carey, Office Economic Coordinator, Seoul, Korea.

PRIM INT: COMPT

INFO : COFS, J2, J3, J4, J5, PIO, UN LN SEC, COMM BR J3

ELB/am

98769

CONFIDENTIAL

CONFIDENTIAL

001155

From: Lieutenant General R. Bierwirth CBE



HEADQUARTERS,

BRITISH COMMONWEALTH FORCES,

JAPAN

2 / December 1955

DO/120

My dear Ambassador,

Brigadier Alderson accompanied by Mr Malcolm of the United Kingdom Legation, Seoul, had an interview with the Senior Negotiator for the Unified Command, Major General Harmony on the 14th December 1955, prior to his meeting with the ROK Minister of Finance on 15th December 1955.

Major General Harmony stressed that the purpose of his meeting with the ROK Minister was to obtain agreement to principles outlined in letter from C-in-C UNC of 16th September 1955 to Mr Kim. He stated that he was in accord with the views put forward by the British Commonwealth representative on the Negotiating Team.

The meeting with Mr Kim took place on 15th December 1955 and Major General Harmony re-affirmed the principles stated in C-in-C UNC letter of 16th September 1955.

The position of the Unified Command that all ROK claims and accounts for utilities, services and real estate for the period 25th June 1950 to the effective date of the settlement agreement must be waived before new contracts for utilities could be made was very strongly impressed on Mr Kim.

During the discussion Mr Kim expressed, but did not submit as a counter proposal, the proposition of negotiating a contract for utilities commencing 1st January 1955, with the provision that payment on such contracts do not prejudice the final settlement of claims for the period prior to that date. Mr Kim was anxious to separate the periods before and after 1st January 1955. He also expressed the desire for the United States to pay ROK claims unilaterally. Major General Harmony made it very clear that he was appointed to represent the Unified Command and that he did not represent the United States Government and he was not discussing the matter for the United States Government. He very strongly emphasised the desirability of ROK acceptance of the Unified Command proposals so that negotiations regarding future utility services could proceed.

I have addressed the representatives of the other Commonwealth Component Governments on terms similar to the foregoing.

R. Bierwirth

Lieutenant General
Commander-in-Chief
British Commonwealth Forces Korea

His Excellency The Honourable T.C. Davis
Canadian Embassy
Tokyo

CONFIDENTIAL

File
210-7-13
E.L.

TOO: 200900 Z DEC 55
TOR: 202219 I DEC 55

FROM: AFPE/ARMYEIGHT (K)

TO : AFPE/ARMYEIGHT (R)

INFO: CINCUNC, FEAF, COMNAVE, BRITISH COMMONWEALTH FORCES,
CINCHREP, ANEMB SEOUL

CITE: KA 71394 KCS

Reference: Message KA 71378

1. Major General John Harmony and Mr. Kim ROK Minister of finance met again at 1500 hours, 19 December 55 at thre request of the latter to continue their informal discussion of the subject of ROK claims and accounts.

2. The discussion started off with my asking Minister Kim whether he had received General Lemnitzer's letter dated 17 December 55. This letter contained the following paragraph: "I am sure you are aware that any major deviations from the formula outlined in previous letters to you concerning this matter will require resubmission to the 16 nations that furnished Military Forces and Field Hospitals to Korea. Accordingly, I urge that every effort be made to arrive at a settlement within the framework of that formula." Minister Kim had received the letter; consequently, I asked whether or not the ROK would accept the formula referred to without "major deviations." Minister Kim stated that there were no "major deviations" and that he felt that negotiations of contracts for payment on a "Current basis" could begin. Inasmuch as, at our previous meeting, he had suggested the date of 1 January 55 as the beginning of the "futuro" period, I asked again what date he proposed for usch contracts to become effective. This time he suggested that the date the last power barge, which had been located at Pusan, departed would be appropriate. This was 16 October 55 when the Impedance left Korea for repairs in Japan.

3. The discussion about the beginning of the "current basis" period caused me to ask Minister Kim to refer to the letter of 16 September 55 from Hq, UNC, in which the principles proposed by the unified command were clearly expressed. We discussed this letter together. During that discussion I pointed out that each principle stated in that letter should be answered specifically so that the ROK position was clear-cut. I informed Minister Kim that this is not a subject to be dealt with piece-meal and that before we could discuss it further he should present a paper accepting or rejecting the principles set forth.

4. In discussing the principles point by point with Minister Kim he asked the meaning of "waiving taxes, interest and similar charges" stating that Korea's laws did not permit the waiv~~ing~~ing of taxes. I then told Minister Kim that the paper he was to prepare showing the ROK position on each

principle should include also any specific questions where the language in the letter of 16 September needed clarification or where the meaning was not clearly understood.

5. Minister Kim agreed to prepare such a paper stating that it would be done promptly and asked that he and I get on with negotiating contracts for payment on a "current basis." I informed Minister Kim that the action he proposed was beyond my authority and that when I received his paper stating the ROK position I intended to assemble the negotiating team which would study it with a view to determining whether "major deviations" were proposed therein. Minister Kim stated he could prepare the paper promptly and asked if I could assemble the negotiating team next Monday 26 December. I explained that several members of the team were in Japan; that I did not know their plans and that I preferred to send each member a copy of this paper for study prior to assembling the delegation. I informed him that Monday was too soon.

6. Minister Kim's broad statement that he did not feel that any "major deviations" would be contained in the ROK paper and his request to negotiate contracts for payment of utilities services on a "Current basis" commencing sometime in the past indicates his strong desire to solve the problem. His suggestion that the current period begin 2 or 3 months ago instead of 1 January 55 as stated in the last meeting indicates a willingness on his part to give ground. I believe that my insistence on a ROK position for each of the fundamental principles set forth in the 16 September letter is gradually impressing him with the futility of attempting to solve this problem piece-meal.

7. During the meeting today I took the opportunity to speak to Minister Kim about the editorial in the 17 December issue of "The Korea Republic". I stated that the editorial was untrue and completely biased, pointing out that it contained no information whatsoever relative to the Unified Command having expended great effort, much money, and great quantities of material in rebuilding and maintaining facilities to provide utilities services to the people of Korea as well as the military forces fighting in their defense. I stated further that the editorial made no reference to the proposal of the Unified Command to waive its claims providing the ROK would do likewise. Minister Kim stated he had not seen the editorial and that was sure the omission of such facts was not intentional. I told him that the facts omitted were of such great importance that, personally, I felt the omission was intentional. There is no doubt in my mind but that Minister Kim was well aware of the editorial despite his statement to the contrary.

HARMONY

~~CONFIDENTIAL~~
HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
AND
EIGHTH UNITED STATES ARMY
APO 301, San Francisco, California

210-7-13
File
Ed.

20 December 1955

Dear Colonel Elwood:


Reference my letter to you dated 19 December 1955.

There are three papers inclosed in this letter which contain information concerning the Republic of Korea claims and accounts.

The three papers are: Inclosure 1 is General Harmony's press release of 19 December 1955. A diary for 18 and 19 December is the 2nd inclosure. Inclosure 3 is a message report to members of negotiating team and advisors to American Embassy and Commander-in-Chief's representatives.

You will be provided any new information as it develops.

Sincerely,


LIONEL R. INGRAM
Colonel CE
Representative of
the Senior Negotiator

3 Incls:
a/s

Colonel Eric D. Elwood, MBE, CD
Canadian Liaison Group
c/o Chief, United Nations Liaison Section
Hq, United States Command
APO 500

4-3023

~~CONFIDENTIAL~~



TO: [illegible]
FROM: [illegible]
SUBJECT: [illegible]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

[illegible text]

UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA

19 December 1955

IMMEDIATE RELEASE:

Mr. Kim Hyun Chul, Finance Minister of the Republic of Korea and Major General John W. Harmony, the Senior Negotiator for the Unified Command, met again today at the request of the former, to continue their informal discussion on the subject of claims and accounts in the field of utilities services which have arisen since 1950, as a result of the military forces and other assistance furnished the Republic of Korea under the resolution of the Security Council of 7 July, 1950.

During the meeting today the specific principles comprising a formula for settlement, contained in a letter of 16 September 1955 to the Minister of Finance, from Headquarters of the Commander-In-Chief, United Nations Command, were studied by the two officials together. As a result of the discussion, Minister Kim agreed to present to General Harmony at an early date a paper stating the position of the government of the Republic of Korea on each principle stated in the letter, or the specific questions where the language of the letter needed clarification.

--30--

5046

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READING COPY

20 Dec 55

2009007

FROM: CG AFFE/8A KOREA

PRIORITY

PRIORITY

TO: CGAFFE/8A (REAR)

DISTRIBUTION: C/S (2)

DC/S (1)

INFO: CINCUNC TOKYO JAPAN

G1 (1)

COMFEAF

G2 (1)

COMNAVFE

G3 (1)

BRITISH COMMONWEALTH FORCES JAPAN

Cml (1)

CINCREP KOREA (COURIER)

Engr (1)

AMEMB SEOUL KOREA (COURIER)

Med (1)

Ord (1)

QM (1)

Trans (1)

G4 (1)

KA 71394 KCS. Ref: Msg KA 71378. This message in seven (7) parts.

Part 1. Major General Harmony and the ROK Minister of Finance, Mr. Kim, met again at 1500 hours, 19 Dec 55 at the request of the latter to continue their informal discussion of the subject of ROK claims and accounts.

Part 2. The discussion started off with my asking Minister Kim whether he had received General Lemnitzer's letter dated 17 Dec 55. This letter contained the following paragraph: "I am sure you are aware that any major deviations from the formula outlined in previous letters to you concerning this matter will require resubmission to the sixteen nations that furnished military forces and field hospitals to Korea. Accordingly, I urge that every effort be made to arrive at a settlement within the framework of that formula." Minister Kim had received the letter; consequently, I asked whether or not the ROK would accept the formula referred to without "major deviations". Minister Kim stated that there were no "major deviations" and that he felt that negotiations of contracts for payment on a "current basis" could begin. Inasmuch as, at our previous meeting, he had suggested the date of 1 Jan 55 as the beginning of the "future" period, I asked again what date he proposed for such contracts to become effective. This time he suggested that the date the last power barge, which had been located at Pusan, departed would be appropriate. This was 16 Oct 55 when the Impedance left Korea for repairs in Japan.

Part 3. The discussion about the beginning of the "current basis" period caused me to ask Minister Kim to refer to the letter of 16 Sep 55 from Hq, UNC, in which the principles proposed by the Unified Command were clearly expressed. We discussed this letter together. During that discussion I pointed out that each principle stated in that letter should be answered specifically so that the ROK position was clear-cut. I informed Minister Kim that this is not a subject to be dealt with piece-meal and that before we could discuss it further he should present a paper accepting or rejecting the principles set forth.

Incl 3

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Part 4. In discussing the principles point by point with Minister Kim he asked the meaning of "waiving taxes, interest and similar charges" stating that Korea's laws did not permit the waiving of taxes. I then told Minister Kim that the paper he was to prepare showing the ROK position on each principle should include also any specific questions where the language in the letter of 16 Sept needed clarification or where the meaning was not clearly understood.

Part 5. Minister Kim agreed to prepare such a ~~xxx~~ paper stating that it would be done promptly and asked that he and I get on with negotiating contracts for payment on a "current basis". I informed Minister Kim that the action he proposed was beyond my authority and that when I received his paper stating the ROK position I intended to assemble the negotiating team which would study it with a view to determining whether "major deviations" were proposed therein. Minister Kim stated he could prepare the paper promptly and asked if I could assemble the negotiating team next Monday, 26 Dec. I explained that several members of the team were in Japan; that I did not know their plans, and that I preferred to send each member a copy of his paper for study prior to assembling the delegation. I informed him that Monday was too soon.

Part 6. Minister Kim's broad statement that he did not feel that any "major deviations" would be contained in the ROK paper and his request to negotiate contracts for payment of utilities services on a "current basis" commencing some-time in the past indicates his strong desire to solve the problem. His suggestion that the current period begin two or three months ago instead of 1 Jan 55 as stated in the last meeting indicates a willingness on his part to give ground. I believe that my insistence on a ROK position for each of the fundamental principles set forth in the 16 Sept letter is gradually impressing him with the futility of attempting to solve this problem piece-meal.

Part 7. During the meeting today I took the opportunity to speak to Minister Kim about the editorial in the 17 Dec issue of "The Korea Republic". I stated that the editorial was untrue and completely biased, pointing out that it contained no information whatsoever relative to the Unified Command having expended great effort, much money, and great quantities of material in rebuilding and maintaining facilities to provide utilities services to the people of Korea as well as the military forces fighting in their defense. I stated further that the editorial made no reference to the proposal of the Unified Command to waive its claims providing the ROK would do likewise. Minister Kim stated he had not seen the editorial and that he was sure the omission of such facts was not intentional. I told him that the facts omitted were of such great importance that, personally, I felt the omission was intentional. There is no doubt in my mind but that Minister Kim was well aware of the editorial despite his statement to the contrary.

KCS

Lionel R. Ingram
Lionel R. Ingram
Col, CE

Confidential

E. J. Kuse
E J Kuse
CWO, USA
Asst Adj Gen

001164

Confidential

NEGOTIATIONS ROK CLAIMS AND ACCOUNTS
AGAINST THE UNIFIED COMMAND

Diary

18 December 1955. No report.

19 December 1955: General Harmony and Colonel Ingram met with Mr. Kim and Mr. Yoo at 1500 hours this date at the request of the Minister of Finance. The meeting was in Mr. Kim's office, and was a continuation of the informal meeting of 15 December 1955. Purpose: to obtain, if feasible, Mr. Kim's acceptance of the UNC principles issued the ROK by UNC in letter of 16 Sep 55. Mr. Kim continues to press for a separation of past claims from "new arrangements"; wants contracts so that money will start rolling in; wants claims to be settled in Washington. By Washington, he may mean UNC, but it is felt he means the U.S. bilaterally with ROK. Mr. Kim posed many questions about principles. General Harmony asked Mr. Kim to put his questions in writing and include comments of ROKs and any proposals he desired to make, such as the one he has made orally regarding separation of claims and contracts for future. General Harmony stated he would refer any such writing to the negotiating team and if necessary to the Unified Command. General Harmony made it clear that a referral of counter proposals to the Unified Command would result in great delay regarding contracts for the future. General Harmony continues to keep Mr. Kim clearly informed that he is representing the Unified Command and not the United States Government and that no proposals will be entertained except proposals directed to the Unified Command.

Confidential

Incl 1

CONFIDENTIAL

HEADQUARTERS
UNITED STATES ARMY FORCES, FAR EAST
AND
EIGHTH UNITED STATES ARMY
APO 301, San Francisco, California

*File 210-7-13
gk.*

19 December 1955

Dear Colonel Elwood:

In order that you may be informed as to the present status of negotiations with the Republic of Korea for the purpose of settling in one agreement the Republic of Korea's claims and accounts against the Unified Command consisting of the United States and those nations furnishing military forces and field hospitals, in the field of "utilities services", and for real estate, I am inclosing copies of pertinent papers. It is believed that this procedure will best inform you as to the status of these negotiations.

Each individual inclosure bears its security classification. It is requested that the information contained in this letter and in the various inclosures not be released to the press without prior notification to and approval by Major General John W. Harmony, U.S. Army, Senior Negotiator, or by the undersigned acting as his representative.

The first inclosure is a diary covering the periods 14 December 1955 through 17 December 1955. This diary will be reserved for miscellaneous minor details and for transactions concerning establishment of dates, times and places of meetings. Dates when no transactions occur will be so noted in future issues.

The second inclosure is the Senior Negotiator's report of the first meeting. The reference number is KA 71378 and it is dated 16 December 1955.

The third inclosure is the Senior Negotiator's press release of 15 December 1955.

The fourth inclosure is a press report from Associated Press correspondent, Mr. Bill Shinn. Mr. Shinn filed his story following an interview with the ROK Minister of Finance and/or members of his

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CONFIDENTIAL

staff. Mr. Shinn did not contact the PIO of this headquarters, General Harmony, the Senior Negotiator, nor any other U.S. official connected with these negotiations to determine the accuracy of his report.

The fifth inclosure is the Senior Negotiator's press release of 16 December 1955 following the incorrect AP press story by the Seoul representative.

The sixth inclosure is a press report from Agency France Presse correspondent, Mr. Young Lee. Mr. Lee's report is a rewrite of the Senior Negotiator's release (the third inclosure hereto).

As shown in the diary for 17 December 1955, a second meeting between Mr. Kim and the Senior Negotiator is scheduled to be held in Mr. Kim's office at 1500 hours, 19 December 1955. You will be supplied with further information after that meeting has been concluded.

Sincerely,



LIONEL R. INGRAM
Colonel CE
Representative of the
Senior Negotiator

6 Incls:
a/s

Colonel Eric D. Elwood, MBE, CD
Canadian Liaison Group
c/o Chief, United Nations Liaison Section
Hq, UNC
APO 500

CONFIDENTIAL

Confidential

NEGOTIATIONS ROK CLAIMS AND ACCOUNTS
AGAINST THE UNIFIED COMMAND

Diary

14 December 1955. An exchange of telephone conversation between Mr. Ho Sun Yoo, Special Assistant to the ROK Minister of Finance and Colonel Lionel R. Ingram, US Army, AFPE/8A, member of the negotiating team and representative of Major General John W. Harmony, US Army, Senior Negotiator, established the date, time and place of the first meeting between Mr. Hyun Chul Kim, ROK Minister of Finance, representing the Republic of Korea, and Major General John W. Harmony, US Army Senior negotiator representing the Unified Command. It was mutually agreed that the first meeting would be informal to get acquainted, and to discuss the position of the Unified Command as stated in a letter dated 17 September 1955 to the ROK Minister of Finance from the Commander-in-Chief, United Nations Command. The meeting was scheduled for December 15, 1955, at 1400 hours in the office of the ROK Minister of Finance.

15 December 1955. General Harmony and Colonel Ingram met with Mr. Kim, Mr. Yoo, Mr. Hahn Been Lee, Mr. Chang, and a representative of the Minister of Transportation. After the meeting General Harmony dispatched a telegraphic report (KA 71378) to all other agencies furnishing members or advisors to the negotiating team. A news release was also issued by General Harmony.

16 December 1955. Mr. Yoo telephoned Colonel Ingram and proposed that a second meeting be held at 1000 hours, 17 December 1955. Colonel Ingram discussed this proposed date and hour with General Harmony, who proposed 1500 hours, 19 December 1955 as a time. Colonel Ingram returned Mr. Yoo's call and stated General Harmony's proposed time. Mr. Yoo said he would convey this information to Mr. Kim and call back at 0915 hours, 17 December.

17 December 1955. Mr. Yoo telephoned Colonel Ingram and stated Mr. Kim had agreed to General Harmony's proposal to meet at 1500 hours, 19 December. The place was agreed to be in Mr. Kim's office.

Incl 1

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READING COPY

16 December 1955

FROM: CGAFFE/8A KOREA

PRIORITY

160145Z
PRIORITY

TO: CGAFFE/8A (RFAR)

DISTRIBUTION: C/S (2)

INFO: CINCUNC TOKYO JAPAN

DC/S (1)

COMTAF

G-1 (1)

COMNA VFE

G-2 (1)

BRITISH COMMONWEALTH FORCES JAPAN

G-3 (1)

CINCREF KOREA (COURIER)

Cml (1)

AMEMB SEOUL KOREA (COURIER)

Engr (1)

Med (1)

Ord (1)

QM (1)

Trans (1)

G-4 (5)

KA 71378 KGL-P. Ref: Msg C-74059. This msg in four (4) parts.

Part 1. Major General Harmony, Senior Negotiator for the Unified Command, met with Mr. Kim, Minister of Finance, ROK, at 1400 hours, 15 Dec 55. The principles stated in CINCUNC's letter of 16 Sep 55 to Mr. Kim were reaffirmed.

Part 2. The position of the Unified Command that all ROK claims and accounts for utilities services and real estate for the period 25 Jun 50 to the effective date of the settlement agreement must be waived before new contracts for utilities could be made, was strongly impressed on Mr. Kim. Mr. Kim was not satisfied with this position, but when informed that counter-proposals could result in only greater delay in negotiating contracts for utilities services, stated that he would study the matter for a few days, and then contact General Harmony for an appointment.

Part 3. During the discussion today, Mr. Kim expressed, but did not submit as a counter-proposal, the proposition of negotiating contracts for utilities commencing 1 Jan 55 repeat 1 Jan 55, with the proviso that payments on such contracts do not prejudice the final settlement of claims for the period prior to that date. He was exceedingly anxious to separate settlement of past claims from contract negotiations for future service, but at the same time considered the period from 1 Jan 55 as part of the "future." He did not press for comparison figures on Unified Command and ROK contributions, indicating agreement that expenditures were in favor of Unified Command. He did express the desire for the United States to pay the Republic of Korea claims unilaterally, rather than participate as a part of the Unified Command.

Inclosure #2

Confidential

Confidential

Part 4. General Harmony made it very clear that he was appointed to represent the Unified Command, and that he did not represent the United States Government, and was not discussing the matter for the United States Government. He emphasized over and over again the desirability of ROK acceptance of the Unified Command position so that contract negotiations for future utility services could get under way and the certain delay if new proposals are submitted for consideration of the Unified Command. The meeting was informal and was conducted in a friendly atmosphere. While it is recognized that Minister Kim does not have authority to make the decision in this matter, there is no doubt but that he understands fully that failure to accept the Unified Command position will most certainly prevent the receipt of any funds for a long time.

/s/ John W. Harmony
/t/ JOHN W. HARMONY
Major General, USA

/s/ E. J. Luce
CWO - USA
ASST ADJ GEN

Confidential

UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA

15 December 1955

IMMEDIATE RELEASE:

Major General John W. Harmony, the Principal Negotiator for the Unified Command, met with Republic of Korea Finance Minister, Kim Hun Chul, in the Minister's office at 2:00 p.m. today.

The following is a statement issued by General Harmony at the conclusion of the meeting:

"I met with Mr. Kim Hyun Chul, ROK Minister of Finance, this afternoon to become acquainted with him and to discuss informally the subject of claims and accounts in the field of utilities services which have arisen since 1950 as a result of the military forces and other assistance furnished the Republic of Korea under the resolution of the Security Council of 7 July 1950.

From the initiation of assistance by those United Nations countries who formed the Unified Command, they and the ROK Government worked together to defend the Republic of Korea from Communist aggression. During this combined effort both the Unified Command and the ROK Government contributed to provide utilities services to the people of the Republic of Korea and to the forces fighting to defend them.

As principal negotiator of the Unified Command, I explained the previously made proposal that both the ROK and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against Communism.

I informed Minister Kim that, although the contributions of the Unified Command for providing utilities services to the people of the Republic of Korea and the forces fighting in their defense exceeded that of the Republic of Korea, all nations who furnished military forces and field hospitals to the Unified Command agreed to waive all claims against the Republic of Korea for such services provided the Republic of Korea likewise would waive such claims against them.

The discussion, which was purely exploratory in nature, was conducted in an atmosphere of friendly understanding. It ended with the Minister stating that he would give further study to the proposal and contact me later."

UNCLASSIFIED

Inclosure #3

15 Dec 1955

TT to Associated Press

Shinns 01735 Seoul December 15 — South Korea today requested the US Army here to make the payment of some six hundred and eighty-four million dollars for the land, buildings, power and water supplies, and communication facilities used by the UN Forces since the outbreak of the Korean War.

Finance Minister Kim Hyun Chul presented the bills totaling six hundred and eighty-four million and six hundred thousand dollars to Major General John W. Harmony, Chief of Staff, AFPE/Eighth Army, in a meeting at Kim's Office.

Kim told Harmony that South Korean electric companies and other enterprises are confronted with "great difficulties" because of the delay in liquidating by the United Nations Command of the "debts incurred by these past services."

Harmony was reported to have told Kim that the Army would study the Korean request in "cooperative spirit".

"General Harmony has explained the previously made proposal that both the ROK and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against Communism."

The discussion, which was purely exploratory in nature, was conducted in an atmosphere of friendly understanding.

endit Shinn

UNCLASSIFIED

Inclosure #4

UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA

16 December 1955

IMMEDIATE RELEASE:

The Associated Press report concerning yesterday's meeting of Kim Hyun Chul, Finance Minister of the Republic of Korea and Major General John W. Harmony, Principal Negotiator for the Unified Command erroneously reported that, "Finance Minister Kim Hyun Chul presented bills totaling \$684,600,000 to Major General John W. Harmony."

Minister Kim presented no bills to General Harmony. Nor were specific sums of money discussed in the informal meeting. The purpose of the meeting was to re-state the Unified Command's position that its contribution in services and supplies far exceeded that of the ROK during the conflict that started in 1950. General Harmony, as Principal Negotiator for the Unified Command, re-stated the proposal previously advanced that, "Both the ROK and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against Communism."

It is not anticipated that any bills will be accepted in a future meeting which will be devoted to this proposal.

UNCLASSIFIED

Inclosure #5

TT to Agence France Presse

4371

Seoul, Young Lee

"The United Nations unified command today entered preliminary negotiations with the ROK finance ministry over the claims for utilities service.

Major General John W. Harmony, principal negotiator of the Unified command, in a release issued this evening said that he met with Korean Finance Minister Kim Hyun Chul in the afternoon to learn the latter's views concerning the issue.

General Harmony also said that he explained to Minister Kim a previously made proposal that both the ROK and the unified command waive all past claims one against the other for utilities services utilized in the struggle against Communism.

The ROK Government spokesman recently said that the United Nations Command should pay for the rent, electricity and water provided it by the ROK authorities. General Harmony said the contributions of the unified command for providing utilities services to the people of the Republic of Korea and the forces fighting in their defense exceeded that of the Republic of Korea. endit Minn

UNCLASSIFIED

Inclosure #6

TRANSMITTAL SLIP

TO: **10** **UNDER-SECRETARY OF STATE FOR EXTERNAL**
AFFAIRS, OTTAWA CANADA
 FROM: **THE CANADIAN EMBASSY, TOKYO JAPAN**

Security: **UNCLASSIFIED**

Date: **DECEMBER 16, 1955**

Air or Surface: **AIR**

No. of enclosures: **One**
(in duplicate)

The documents described below are for your information.

File 210-7-13

Despatching Authority: **E.R. Rettle**

Copies	Description	Also referred to:
Two	<p>Press Release Dec. 15/55 by "Unified Command, Office of the Principal Negotiator, Seoul, Korea" re: <u>ROK-UNC Discuss Utilities Claims and Accounts.</u></p> <p>Ref: Our Despatch No. 1253 of November 13, 1955.</p>	<p>To me:</p> <p><i>Mr. [unclear] 4/5</i></p> <p><i>Mr. Bertin</i></p> <p><i>2- Rettle</i></p> <p><i>& file</i></p> <p><i>E.L.R.</i></p>

INSTRUCTIONS

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UNIFIED COMMAND
OFFICE OF THE PRINCIPAL NEGOTIATOR
SEOUL, KOREA

1815
15 December 1955

For Immediate Release:

ROK-UNC DISCUSS UTILITIES CLAIMS AND ACCOUNTS

Maj. Gen. John W. Harmony, the Principal Negotiator for the Unified Command, met with Republic of Korea Finance Minister Kim Hyun Chul in the Minister's office at 2:00 pm today.

The following is a statement issued by General Harmony at the conclusion of the meeting:

"I met with Mr. Kim Hyun Chul, ROK Minister of Finance, this afternoon, to become acquainted with him and to discuss informally the subject of claims and accounts in the field of utilities services which have arisen since 1950 as a result of the military forces and other assistance furnished the Republic of Korea under the resolution of the Security Council of 7 July 1950.

"From the initiation of assistance by those United Nations countries who formed the Unified Command, they and the ROK Government worked together to defend the Republic of Korea from Communist aggression. During this combined effort both the ROK Government and the Unified Command contributed to provide utilities services to the people of the Republic of Korea and to the forces fighting to defend them.

"As principal negotiator of the Unified Command, I explained the previously made proposal that both the ROK and the Unified Command waive all past claims, one against the other, for utilities services utilized in the struggle against Communism.

"I informed Minister Kim that, although the contribution of the Unified Command for providing utilities services to the people of the Republic of Korea and the forces fighting in their defense exceeded that of the Republic of Korea, all nations who furnished military forces and field hospitals to the Unified Command agreed to waive all claims against the Republic of Korea for such services provided the Republic of Korea, likewise would

(more-over)

rok-unc
claims and accounts
2-2-2-2-2-2

waive such claims against them.

"The discussion, which was purely exploratory in nature, was conducted in an atmosphere of friendly understanding. It ended with the Minister stating that he would give further study to the proposal and contact me later."

-0-

Mr. Newton / E.A.

Mr. Bertrand

BRITISH EMBASSY, *to file*

TOKYO. *file*

December 14, 1955. *Y.B.*

(1193/1/31/55)

CONFIDENTIAL

WITH THE COMPLIMENTS
OF
B. Greenhill,
HER BRITANNIC MAJESTY'S EMBASSY

Mr. E.R. Rettie,
Canadian Embassy,
TOKYO.

210-7-13

CONFIDENTIAL

KOREAN CLAIMS NEGOTIATIONS

Record of a meeting held in the British Embassy at 11.45 a.m.
on Tuesday, December 13, 1955

PRESENT:

Mr. E.R. Rettie	Canadian Embassy
Mr. R.W.L. Austin	Australian Embassy
Mr. R. Cunninghame	New Zealand Legation
Captain H. Pope	U.N. Command
Mr. B. Greenhill	British Embassy
Mr. J.M. Furley-Smith	British Embassy

The meeting had been called to discuss various documents which had been received in the British Embassy on the previous day, namely, an exchange of correspondence between U.N. Command and the R.O.K. agreeing to the holding of an opening meeting between General Harmony and the R.O.K. Minister of Finance on December 15; a draft agreement produced by Eighth Army; a telegram from Mr. Wood in Seoul to U.N. Command reporting a discussion with President Rhee; and a draft press release for issue after the meeting on December 15.

I think more of this is supposition than would appear E.R.

2. Captain Pope said that General Hirsh had learned in the previous day that the sequence of events leading up to the fixing of the meeting on December 15 was as follows. The R.O.K. letter of November 21, rejecting the arguments put forward by the U.N. Command in their previous letter and asking for an opening meeting on December 12, had been sent by ordinary post and, after receiving the usual processing in U.N. Command, had not reached Colonel Riley until early in December. Shortly afterwards the telegram from Mr. Wood had been received, suggesting that the Korean attitude might in fact be less difficult than the R.O.K. letter suggested. In view of this, it had been decided immediately to strike while the iron was hot; and accordingly the U.N. Command reply was sent on December 6 without waiting for any consultation with the Commonwealth. Captain Pope had seen the documents on December 7 as the result of making a routine enquiry of Colonel Riley, and had had copies typed in Ebisu Camp. He telephoned Brigadier Alderson on December 7 or 8, and the brigadier replied on December 10, instructing him to pass the documents to the British Embassy.

3. The arrival of the draft agreement from Eighth Army at the same time was purely coincidental; they had been sent a draft (or drafting suggestions) some months previously by U.N. Command and the present draft (which had still, of course, to be agreed by U.N. Command) was the outcome. It would not be offered to the Koreans at the meeting on December 15. It was intended that this meeting should be informal and confined to a discussion of principles, rather than a formal opening meeting. Brigadier Alderson expected to be present but otherwise it was intended to have as few people present as possible.

4. After a good deal of discussion it was agreed that there seemed to be four possible results of the meeting:

- (a) The Koreans might agree to the principles sought by the U.N. side (i.e., a mutual waiver of past claims).
- (b) They might want to examine facts and figures regarding past claims, since their latest letter had alleged that

/their

- 2 -

their past claims were greater than those of the U.N.

- (c) They might insist, as their earlier letter had done, that there should be a unilateral waiver of past claims by the U.N.
- (d) They might insist on bringing in other matters, such as status of forces questions.

5. It was agreed that Captain Pope should instruct Brigadier Alderson that afternoon to put these possibilities to General Harmony with the following suggestions:

- (a) In the event of 4(a) above, a suitable press release should be agreed with the Koreans.
- (b) In any other event, all publicity should be avoided beyond a short factual statement that the meeting had taken place.
- (c) In no circumstances should the draft agreement be presented to the Koreans before Commonwealth Governments had had an opportunity of commenting on it.
- (d) In the event of 4(c) or (d) above, but not otherwise, reference back to Governments would be necessary.

6. Mr. Rettie and Mr. Cunningham said their agreement was subject to the concurrence of their Heads of Mission; they subsequently confirmed that this had been obtained.

DESPATCH

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

FROM: The Canadian Ambassador, Tokyo, Japan.

Reference: My Telegram No. 184 of December 13.

Subject: Korea - Status of Forces -
Claims Negotiations.

Security:

No: 1253

Date: December 13, 1955

Enclosures:

Air or Surface Mail: AIR

Post File No: 210-7-13

Ottawa File No.

References

Attached are copies of the material supplied this morning to representatives of old Commonwealth Missions by BCPK. The BCPK representative said he had obtained the material from Col. Riley at HQ UNC.

2. Enclosure No. 1 is a copy of a letter of November 21, 1955 from the ROK Minister of Finance to General Rogers in reply to his letter of October 28, 1955, about which I have written you before. HQ UNC said that the letter had come through ordinary postal channels and had not been delivered until about the last day of November. It had been examined in UNC at that time and since it did not contain any apparent advance on the known ROK position, it was not given any special attention. It states the ROK view that the waiver of claims by both sides for the past is "hardly acceptable" and that the ROK wishes to begin negotiations on the basis of certain agreements and memoranda between the Unified Command and the ROK since the start of the Korean War, rather than on the basis of the principles stated in General Rogers' earlier communications. It suggests that the Minister of Finance meet with General Harmony on December 12, 1955.

3. Enclosure No. 2 is a copy of General Rogers' reply of December 6, 1955, in which he re-affirms the equitable nature of the principles approved by the United Nations side and suggests that General Harmony and the Minister meet on December 15, 1955. He suggests that, since the Minister considers that the ROK is the creditor in the claims accounts, the meeting should compare the respective claims of each side, the comparison to be "based on the principles outlined in [General Rogers'] letter of 16 September 1955."

4. In a telegram (confidential) of December 9, 1955, CINCUNC gave General Harmony the text of the two letters described above and stated in part:

"General Harmony envisages that the initial discussions will be informal in nature and that the number of conferees at the meeting, therefore, should be kept to a minimum. General Harmony should issue a statement at conclusion of meeting on 15 Dec 55, along the lines of press release quoted below:

Distribution
to Posts

-2-

'Proposed Press Release

'Kim Hyun Chul, ROK Minister of Finance, and Major General Harmony, Chief of Staff, AFPE/Eighth US Army, met in Seoul today to negotiate the settlement of claims and accounts which have arisen since 1950 as a result of the Korean conflict.

'General Harmony, as the spokesman of the United Nations Command, proposed that the ROK and the Unified Command agree to waive all past claims arising in the field of utilities services and to negotiate contracts which will permit individual using nations to pay the ROK, on a current basis, for the utilities services furnished the United Nations Command nations in the future.

'The US and those nations furnishing military forces and field hospitals to the Unified Command agreed to the mutual waiver of past claims in order to eliminate the possibility of adding a large debt to war-torn Korea. These nations have contributed to Korea in the field of utilities services over 150 millions of dollars in equipment, materials, supplies and services as against claims of less than 30 millions of dollars in the same fields which the ROK have filed with the US.

'The discussions today were conducted in an atmosphere of friendly cooperation and it was predicted that a most successful solution would be forthcoming soon to demonstrate to the world at large the feasibility of several nations of the United Nations assisting a nation, the victim of unjustified Communist aggression.'

(Alternative Concluding Paragraph)

'The discussions today resulted in no agreement being reached as to the principles which would permit an equitable settlement and General Harmony informed the ROK Minister of Finance that he would have to refer the proposals of the ROK Government back to the interested governments for further instructions.'

5. In a telegram of December 6 (Enclosure 3 to this Despatch), AFPE/Eighth US Army Rear Headquarters (in Japan) sent to AFPE/Eighth US Army Korea and to CINCUNC a detailed draft for the claims settlement agreement. The BCFK representative who obtained the copy of this telegram said -- and there appears to be no reason to doubt this -- that the detailed draft had been in preparation for some months and that its appearance on December 6 was not particularly connected with the train of events described in my preceding paragraphs. As of today, according to the BCFK representative, CINCUNC did not appear to have taken any action to approve or comment on the draft.

6. The enclosed material was discussed at the meeting of representatives of BCFK and Commonwealth Diplomatic Missions in Tokyo mentioned in my telegram under reference. The conclusions of the meeting were as follows:

There appeared to be four possible results of the meeting

-3-

on December 15 between General Harmony and the ROK Minister of Finance:

(a) The ROK Minister might agree to the principles approved by the UN side (i.e., waiver of past claims);

(b) The ROK Minister might want to examine facts and figures regarding past claims;

(c) The ROK Minister might formally demand a unilateral waiver of past claims; or,

(d) The ROK Minister might insist on bringing in other matters (e.g., status of forces questions).

The meeting agreed that these views might be put to General Harmony by Brigadier Alderson (who was planning to fly to Korea to see Harmony on December 14) with the following suggestions:

(1) If (a) above, agree a suitable release (press) with the ROK but do not table draft agreement yet;

(2) If (b) and (c) above, try to avoid any publicity beyond a factual statement that the meeting has taken place;

(3) In no circumstances should the draft agreement be presented to the ROK before Commonwealth Governments have a chance to comment; and

(4) If (c) and (d) above, then reference back to Governments will be necessary.

The meeting also agreed that it would be desirable to send the detailed draft agreement to Governments for comments with all possible despatch. Although it had not been approved by CINCUNC etc., it was likely that, if Governments did not provide comments at once, the opportunity for doing so at a later stage would be so limited by time factors as to prevent adequate representations to the UNC negotiator.

7. I also attach a copy of a telegram of December 5 from CINCREP to CINCUNC -- I assume this is Tyler Wood, the Economic Coordinator, although the BCFK representative said he was not sure who Wood was -- reporting a conversation between Wood and Syngman Rhee in which Rhee displayed a very conciliatory attitude on the claims question. I suspect that this telegram may have spurred CINCUNC to get Harmony to speak to the ROK Minister of Finance without too much delay. You will note that Wood feels, without being sure, that the ROK may be ready to accept the UN proposal.

8. At the meeting of the Commonwealth Representatives mentioned in para. 6 above, there was some inconclusive discussion on the lack of co-ordination between the UNC HQ staff and BCFK and ourselves. It appears that General Bierwirth and General Hirsch are satisfied that this arose simply because of bad staff-work on the part of UNC HQ and that it would be embarrassing to raise a fuss. It also appears that General Hirsch believes the interest he has shown in subsequent events in the negotiations will do much to ensure that a lack of coordination will not happen again. I hope they are both right, but I think we shall have to be vigilant. For the moment, nothing

-4-

can be done to correct the past errors and therefore it would probably be as well to let matters take their course. If General Harmony sticks to his brief, nothing untoward need occur.

T. C. DAVIS

Ambassador.

COPY

ENCLOSURE NO 1

CONFIDENTIAL

MINISTRY OF FINANCE
REPUBLIC OF KOREA
SEOUL, KOREA

21 November 1955.

My Dear General:

Reference is made to your letter of 28 October 1955, relating to the settlement of claims and accounts in Korea, in which you have restated a guidance for the proposed conference to discuss with the problem.

Regarding the matter of mutual waiver of past claims, this is hardly acceptable to this government. Contrary to your calculation, we consider ROK contributions with utilities services, real estate and materials far exceed the value of the materials, supplies and equipment, and services received from the Unified Command during and after hostility period. The principles which you have suggested in the letter of 16 September 1955 specifically and restated on the letter of 28 October 1955 briefly should serve as parts of departure in the coming meeting. We desire to convene the initial conference in an earliest possible date, of course, on the basis of those agreements and memoranda between the Unified Command and the Republic of Korea since the Korean War started, where calculation and principles should be examined and mutually agreed.

I am glad that Major General John W. Harmony has been appointed the representative of the Commanding General, United States Army Forces, Far East and Eighth United States Army and he is prepared to meet with me. I respectfully suggest again that our initial meeting should be made in Seoul on or about 12 December 1955 (Monday). Your prompt reply is cordially requested.

With highest esteem,

I am,

s/ Hyun Chul Kim
t/ Kim Hyun Chul
Minister of Finance.

The Honourable Lt-General Elmer J. Rogers, Jr.
USAF, Chief of Staff
Headquarters Far East Command and United Nations Command
Tokyo

CONFIDENTIAL

CONFIDENTIAL

6 December 1955

My dear Mr. Minister:

This will acknowledge receipt of your letter of 21 November 1955, relating to the settlement of claims and accounts in Korea.

The principles stated in our letter of 16 September 1955, which were reaffirmed in our letter of 28 October 1955 are the result of a coordinated position among the governments who furnished military forces and field hospitals to the United Command in repelling the Communist invasion of Korea. This headquarters has no authority to modify these principles which were designed to permit a prompt and equitable settlement. Further, it is desired to reiterate that the principles are considered here as most equitable.

In reference to your statement that the mutual waiver of past claims is hardly acceptable to your government, and that you consider the Republic of Korea contributions of utilities services, real estate and materials far exceed the value of materials, supplies, equipment and services received from the Unified Command during and after the hostility period, you will recall that, in the letter of 16 September 1955, it was stated that:-

"The position of the United States and of those nations furnishing military forces and field hospitals in Korea is that no payment should be made for utility services furnished prior to the effective date of new arrangements. However, if the Republic of Korea so desires, the Unified Command is prepared to enter into a detailed comparison of Republic of Korea claims and accounts for utility services furnished by the Republic of Korea and the equipment, materials, supplies and services furnished to the Republic of Korea in support of the Republic of Korea utilities. For this purpose, the value of equipment, materials, supplies and services provided to the Republic of Korea by the United States and by those nations furnishing military forces and field hospitals to the Unified Command, on the one hand, and utility services furnished to such forces by the Republic of Korea, on the other hand, during the post-hostilities period only, should be utilized as offsets, one against the other, on a cumulative basis. In computing the value of claims and accounts, the military conversion rate applicable during the time the equipment, materials, supplies and/or services were furnished should be used."

Your letter and a copy of this reply have been furnished the Commanding General, United States Army Forces, Far East and Eighth United States Army (Near), and Major General John W. Harmony, the representative of the Commanding General, United States Army Forces, Far East and Eighth United States Army, Korea, who is prepared to make the comparison mentioned heretofore, based on the principles outlined in the letter of 16 September 1955. Previous military commitments prevent General Harmony from meeting with you on the date of 12 December; however, he will be ready to meet with you at your convenience, on Thursday, 15 December 1955.

Sincerely,

Elmer J. Rogers, Jr.,
Lieutenant General, USAF
Chief of Staff

His Excellency Hyun Chul Kim
Minister of Finance
Republic of Korea
Seoul, Korea.

CONFIDENTIAL

001187

C O P Y

CONFIDENTIAL

CONFIDENTIAL

HEADQUARTERS FAR EAST COMMAND

TOO: 060240 Z Dec 55

TOR: 062210 I Dec 55

FROM: AFPE/ARMYEIGHT (R) (G4)

TO: AFPE/ARMYEIGHT (K) COMNAVFE FEAT CINCREP AMEND KOREA

INFO: CINCUNC

CITE: FM913868 (NOFORN)

Reference: CINCUNC message C-74059 DTG 171036 Z Sep 55

1. A draft of a claim settlement agreement between the Unified Command and the ROK has been staffed in this headquarters and is quoted below. It is proposed that this draft be used by the Senior Negotiator as a point of departure in anticipated discussions with representatives of the ROK. Request your comments and/or concurrence.

"Agreement between the U.S. of America, Acting in Its Capacity As The Unified Command and The ROK Relating to Claims and Accountability For Utilities Services and For Real Estate Use and/or Occupancy.

Preamble

Whereas, the United Nations by the resolution of the Security Council of 27 June 1950, recommends that members of the United Nations furnish such assistance to the ROK as may be necessary to repel the armed attack and restore international peace and security in the area:

And whereas, the United Nations by the resolution of the Security Council of 7 July 1950, recommends that members furnish military forces and other assistance to the ROK make such forces and other assistance available to a Unified Command under the U.S.;

And whereas, the U.S. of America, acting in its capacity as the Unified Command, and in its own behalf, employed the military forces contributed by members of the United Nations and the military forces of the ROK in repelling the armed attack and restoring international peace and security in the area:

And whereas, the U.S. of America, acting in its capacity as the Unified Command, and in its own behalf, and the ROK provide facilities material, supplies, equipment, utilities, services and monies, for the support of the military forces employed against Communist aggression in Korea;

And whereas, the U.S. of America, acting in its capacity as the Unified Command, and in its own behalf, and the ROK consider it desirable to negotiate a final settlement of claims and accounts for utilities services, and for use and/or occupancy of real property or real estate;

Therefore, the U.S. of America, on the one hand, acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces and other assistance to the Unified Command, namely Australia, Belgium, Canada, Colombia, Denmark, Ethiopia, France, Germany, Greece, India, Italy, Luxembourg, the Netherlands, New Zealand, Norway, the Republic of Phillipines, Sweden, Thailand, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland; and the ROK on the other hand: have agreed as follows:

001188

ARTICLE I

In this Agreement, the terms:

1. Unified Command means the U.S. of America, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces and other assistance to the Unified Command, namely, Australia, Belgium, Canada, Colombia, Denmark, Ethiopia, France, Germany, India, Italy, Luxembourg, the Netherlands, New Zealand, Greece, Norway, the Republic of Phillipines, Sweden, Thailand, Turkey, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland; and wherever the term "Unified Command" is used in this Agreement, it is understood and agreed that the U.S. of America is acting as so defined above.
2. "Claims and Accounting" mean any demands or requests for, or assertion of the right to, payment of money or restoration, replacement, rehabilitation or removal of property in settlement of any obligation, charge or account, express or implied, including counter-claims arising from the use, occupancy, alteration, loss or destruction of, or damage to any property, as hereinafter defined, in connection with the transmission, use, or consumption of any utility, or property, or in connection with the use and/or occupancy of any real estate, hereinafter called real property, and including claims and accounts arising from the rendition of personal services required in the establishment, maintenance and operation of utilities, and those claims and accounts for reimbursement for improvements to property, to include new construction, maintenance and operation of utility services or real property between the ROK and the Unified Command between any one of the nations in the Unified Command and the ROK, but excluding claims and accounts arising out of private commercial contracts between civilians or corporations of the nations concerned, and/or claims and accounts arising out of formal written contracts between the parties to this Agreement, or between any one of the nations furnishing military forces or other assistance to the Unified Command on the one hand, and the ROK on the other hand.
3. "Utility Services" means services or commodities obtained by an individual user from the use of property or components which does not pass to his control or ownership and which property is provided and available to furnish similar services to other users under similar conditions; such as provision for use of transportation and communication facilities and systems and/or provision for the use or consumption of electricity, water, steam heat, light and power, however produced.
4. "Utility" means property or components required to provide utility services as defined herein.
5. "Property" means any real property, real estate or personal property including but not limited to land, building and other structures and appurtenances thereto, roads, highways, bridges, railroads, railroad equipment and rolling stock, track material, power plants and transmission lines, water systems, communication systems, airfields, and ancillary installations, harbors, rivers, piers, buoys, pits, machinery, tools, material, supplies and equipment, of every description.
6. "New Arrangements" mean existing formal written contracts, and formal written contracts to be negotiated in the future, for the provision of utility service effective subsequent to the effective date of the settlement agreement, or on such other date as is mutually agreed upon.

ARTICLE II

This Agreement shall not apply to claims and accounts arising out of the various economic assistance and rehabilitation programs and out of the furnishing to the ROK military forces of material and common use items, but shall apply to claims and accounts arising out of the use and/or occupancy of real property in connection with such programs and military aid and further shall apply to material and common use items affixed and made a part of real property by the Unified Command in Korea.

ARTICLE III

1. The ROK forever releases and agrees to hold harmless the U.S. of America, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command, and their nationals, from any and all claims and accounts in the field of utilities, services and for real property occupancy and/or use arising in Korea incident to the action to repel aggression in Korea, during the period from 25 June 1950 through the effective date of the agreement which might be asserted against the U.S. acting in its capacity as the Unified Command.

the governments of the nations furnishing military forces or other assistance to the Unified Command, and their nationals by the ROK, nationals of the ROK, and other persons owning property, rendering utility service, or residing in Korea.

2. The U.S. of America, acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command, forever releases and agrees to hold harmless the ROK and its nationals from any and all claims and accounts in the field of utilities services and for real property occupancy and/or use arising in Korea incident to the action to repel aggression in Korea, during the period 25 June 1950 through the effective date of this agreement which might be asserted against the ROK and its nationals by the U.S. of America, acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command and their nationals.

3. The ROK forever releases and agrees to hold harmless the U.S. of America acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command and their nationals, from any and all claims and accounts in the field of utilities service and for real property occupancy and/or use arising in Korea after the effective date of this agreement, which might be asserted against the U.S. acting in its capacity as the Unified Command, the governments of the nations furnishing military forces or other assistance to the Unified Command, and their nationals by the ROK, nationals of the ROK and other persons owning property, rendering utility services, and/or residing in Korea, except those claims and accounts in the field of utilities service based upon a writing signed by a duly appointed contracting officer of the nations against whom the claim is asserted.

4. The U. S. of America, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command, forever releases and agrees to hold harmless the ROK and its nationals from any and all claims and accounts in the field of utilities service and for real property use and/or occupancy arising in Korea after the effective date of this agreement, which might be asserted against the ROK and its nationals by the U.S. of America acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command and their nationals, except those claims and accounts in the field of utilities service based upon a writing signed by a duly appointed contracting officer of the nation against whom the claim is asserted.

ARTICLE IV

1. The Unified Command agrees to settle all claims and accounts arising under existing formal written contracts for the provision of utilities services and to undertake to negotiate new arrangements relating to the provision of utilities services on and after the effective date of this agreement. From that date forward, the U.S. of America and the governments of those nations furnishing military forces and other assistance to the Unified Command, each acting separately, agree to bear all expenditures for utilities service incident to the maintenance of their respective forces in Korea, except that to the extent arrangements are made in the future for payment for material, supply, equipment and services furnished to ROK by

the U.S. of America or any of the governments of those nations furnishing military forces and other assistance to the Unified Command, the governments of the nations furnishing the material, supplies, equipment and services may elect to offset amounts owed by ROK against amounts due ROK by U.S. for utilities service furnished under existing and new arrangements. Any amounts due the U.S. in payment for U.S. material, supplies, equipment and service furnished to ROK and any amounts due the ROK from the U.S. for utilities service under future offset arrangements will be established in dollar values, to be determined in accordance with Article V of this Agreement.

2. The ROK agrees to furnish without cost of the US to America and other nations furnishing military forces or other assistance to the Unified Command all real property used or occupied by the U.S. of America and such other nations in connection with the resolution of the Security Council of 27 June 1950.

3. The expenditures, activities, and property of the U.S. of America, acting in its capacity as the Unified Command, and of the governments of those nations furnishing military forces and other assistance to the Unified Command, shall be relieved of all customs, duties, taxes, interest, imposts, and fees or charges of any description levied or authorized by the ROK, its agencies, or political sub-divisions and in all cases shall be charged for utilities service at rates no less favorable than those charged ROK Governmental agencies.

ARTICLE V

It is agreed that the value of the Korean currency to be used in computing the U.S. dollar value of claims under this Agreement shall be the official military conversion rate at the time the services were rendered or real property occupied or used.

ARTICLE VI

This Agreement supersedes, in whole and in part, any agreement, expressed or implied, relating to the settlement of claims and accounts for the rendition of utilities service and for real property use and/or occupancy arising out of the Korean conflict between the dates 25 June 1950 and the effective date of this Agreement, except for prior and existing formal contracts for utility services.

ARTICLE VII

1. This Agreement shall be registered with Secretary-General of the United Nations in compliance with the provisions of Article 102 of Charter of the United Nations.

2. This Agreement shall enter into operation and effect immediately upon signature hereto.

3. Done in duplicate in the English and Korean languages, at Seoul, Korea, on this blank day of blank, 1955. The English and Korean texts shall have equal force, but in 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 U.S. of America, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces and other assistance to the Unified Command,

BY Blank
For the Government of the ROK

BY Blank

COPI

CONFIDENTIAL

HEADQUARTERS, FAR EAST COMMAND

PRIORITY

TOO: 050900 Z Dec 55

TOR: 051924 I Dec 55

FROM: CINCPAC

TO : CINCUSC

INFO: AFPE/ARMYRIGHT? AMEMB SEOUL

CITE: UNUNCEB 6-12 (KATO MSG)

During long friendly conversation (to be reported more fully subsequent Airgram) with President Rhee morning Dec 3 subject ROK Budget and my letter reported TOICA 1045, I raised question of subsidies and operating deficits of government corporations.

I mentioned especially Dei Han Coal Company and communication and railroad companies. (I carefully avoided mentioning power company in light of recent campaign in newspapers demanding US pay bill for power charges which was presented.) Soon as I mentioned general subject, President Rhee raised question of financial condition power companies and made plea for payment bills he said were due. I replied he must understand this matter not within my sphere responsibility but within General Lemnitzers. I said however I knew US Government did not consider it owed Korean Government anything this account since we had put into Korea at our own expense more power than our forces had withdrawn. I found him unusually mild and conciliatory this subject. He repeated several times Korea did not wish make unreasonable demands and that we had engaged in common effort which each partner had obligation make maximum contribution he could. He did say however, Korea assumed these bills would be paid and that certain communications in past led them to believe this would be done. (Later Mr Paik and Mr Yu mentioned specifically letter from General Deker, then Comptroller of Army, this subject.) President then made temperate but earnest plea to me to see whether I could not get General Lemnitzer and US Government agree pay back bills for power and other services. At this point I again emphasized this subject not my business, but said I made bold, since I knew something about the issue I make practical suggestion. Stated knew this question considered at very high levels US Government, that US Government could not in effect pay twice for power it had used, and that therefore it would be to advantage all concerned for ROK accept principles stated General Lemnitzers letter. If this done, I said I knew US Government was prepared immediately go on "pay as you go" basis for future. President immediately seized upon this and said, "let us go on a 'pay as you go' basis now. We are certainly ready to do that." I pointed out that doing so would be contingent upon agreement wiping out claims for past. In response he merely made another plea for me to do what I could, and I repeated friendly advice he accept proposal made General Lemnitzers letter and thus remove subject as an area controversy between us.

My impression this part of discussion was President been carefully coached raise this subject, but that it constituted last attempt persuade US pay charges, in which, however, he did not place much hope. I felt it was possible ROK may be ready accept our proposal though of course I cannot be sure of this.

Mr Paik Too Chin and Mr Yu of Presidential Secretariat present during conversation.

WOOD

ACTION: ~~J5~~ REVISE ACTION TO: COMPT (6 DEC 55)

INFO : COFS, J3, J4, COMPT, J5

NOTE : Ref msg TOICA 1045 is CCM 96095

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ELB/jh

97520

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DEPARTMENT OF NATIONAL DEFENCE

MESSAGE FORM

FOR CLASSIFIED MESSAGES ONLY

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

24-210-7-13

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

INFO

ORIGINATOR'S NO.

284

Our Letter 1181 of Nov. 23. KOREAN CLAIMS NEGOTIATIONS.

1. Commonwealth diplomatic missions were informed today by BCFK that General Harmony is expected to begin ~~form~~ informal discussions with ROK Finance Minister HYUN on December 15 (Korean Time) regarding claims and that Alderson intends to see Harmony in Korea December 14.
2. CINCUNC staff has also given BCFK detailed draft agreement prepared by AFPE/8 Army in Korea, which has not (not) yet been approved by CINCUNC. Copies will be sent you tomorrow's bag.
3. CINCUNC has suggested Harmony issue press release after December 15 meeting that would state basic points and figures in U.N. position and (depending on ROK attitude in meeting) whether or not agreement on principles approved by U.N. side had been reached.
4. Missions have asked that Alderson advise Harmony (a) reduce publicity to minimum, although ROK agreement to principles should of course result in appropriate release; (b) if ROK demand unilateral waiver of past claims, or introduce questions other than claims, then inform ROK

ORIGINATOR	TELEPHONE	DATE - TIME GROUP	FILE NO.
		Z	10 7 -13

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

REFERENCE COPY

001193

MESSAGE FORM
FOR CLASSIFIED MESSAGES ONLY

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

INFO

ORIGINATOR'S NO.

184

-2-

reference back to governments essential; and (c) under no circumstances present detailed draft agreement to ROK Minister, until Commonwealth Governments have opportunity to comment. DAVIS.

ORIGINATOR E.R.Rettie/r	TELEPHONE	DATE - TIME GROUP December 13, 1955	FILE NO. 210-7-13
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C.N.S. 1320JC
C.A.F.B. 1617 HQ 4554-B-1617
250M-1-52 (5592)
R.C.A.F. 542

REFERENCE COPY

001194

COPY

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CEFK (Capt. Pope)

at Ry. Emb. on

Rel. 13/55

E.R.

HEADQUARTERS FAR EAST COMMAND

TOO : 060240 Z Dec 55

TOR : 062210 I Dec 55

FROM : AFPE/ARMYEIGHT (R) (G4)

TO : AFPE/ARMYEIGHT (K) COMNAVFE FEAF CINCREP AMEMB KOREA

INFO : CINCUNC

CITE : FM 913868 (NOFORN)

File

210-7-13

E.R.

Reference : CINCUNC message C-74059 DTG 171036 Z Sep 55

1. A draft of a claim settlement agreement between the Unified Command and the ROK has been staffed in this headquarters and is quoted below. It is proposed that this draft be used by the Senior Negotiator as a point of departure in anticipated discussions with representatives of the ROK. Request your comments and/or concurrence.

"Agreement between the U.S. of America, Acting in Its Capacity As The Unified Command and The ROK Relating to Claims and Accountability For Utilities Services and For Real Estate Use and/or Occupancy."

Preamble

Whereas, the United Nations by the resolution of the Security Council of 27 June 1950, recommends that members of the United Nations furnish such assistance to the ROK as may be necessary to repel the armed attack and restore international peace and security in the area;

And whereas, the United Nations by the resolution of the Security Council of 7 July 1950, recommends that members furnish military forces and other assistance to the ROK make such forces and other assistance available to a Unified Command under the U.S. ;

And whereas, the U.S. of America, acting in its capacity as the Unified Command, and in its own behalf, employed the military forces contributed by members of the United Nations and the military forces of the ROK in repelling the armed attack and restoring international peace and security in the area;

And whereas, the U.S. of America, acting in its capacity as the Unified Command, and in its own behalf, and the ROK provide facilities material, supplies, equipment, utilities, services, and monies, for the support of the military forces employed against Communist aggression in Korea;

And whereas, the U.S. of America, acting in its capacity as the Unified Command, and in its own behalf, and the ROK consider it desirable to negotiate a final settlement of claims and accounts for utilities services, and for use and/or occupancy of real property or real estate;

Therefore, the U.S. of America, on the one hand, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces and other assistance to the Unified Command, namely Australia, Belgium, Canada, Colombia, Denmark, Ethiopia, France, Germany, Greece, India, Italy, Luxembourg, the Netherlands, New Zealand, Norway, the Republic of Philippines, Sweden, Thailand, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland; and the ROK on the other hand; have agreed as follows:

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ARTICLE I

In this Agreement, the terms :

1. Unified Command means the U.S. of America, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces and other assistance to the Unified Command, namely, Australia, Belgium, Canada, Colombia, Denmark, Ethiopia, France, Germany, India, Italy, Luxembourg, the Netherlands, New Zealand, Greece, Norway, the Republic of Philippines, Sweden, Thailand, Turkey, the Union of South Africa, the United Kingdom of Great Britain and Northern Ireland; and wherever the term "Unified Command" is used in this Agreement, it is understood and agreed that the U.S. of America is acting as so defined above.
2. "Claims and Accounting" mean any demands or requests for, or assertion of the right to, payment of money or restoration, replacement, rehabilitation or removal of property in settlement of any obligation, charge or account, express or implied, including counter-claims arising from the use, occupancy, alteration, loss or destruction of, or damage to any property, as hereinafter defined, in connection with the transmission, use, or consumption of any utility, or property, or in connection with the use and/or occupancy or any real estate, hereinafter called real property, and including claims and accounts arising from the rendition of personal services required in the establishment, maintenance and operation of utilities, and those claims and accounts for reimbursement for improvements to property, to include new construction, maintenance and operation of utility services or real property between the ROK and the Unified Command between any one of the nations in the Unified Command and the ROK, but excluding claims and accounts arising out of private commercial contravents between civilians or corporations of the nations concerned, and/or claims and accounts arising out of formal written contracts between the parties to this Agreement, or between any one of the nations furnishing military forces or other assistance to the Unified Command on the one hand, and the ROK on the other hand.
3. "Utility Services" means services or commodities obtained by an individual user from the use of property or components which does not pass to his control or ownership and which property is provided and available to furnish similar services to other users under similar conditions; such as provision for use of transportation and communication facilities and systems and/or provision for the use or consumption of electricity, water, steam heat, light, and power, however produced.
4. "Utility" means property or components required to provide utility services as defined herein.
5. "Property" means any real property, real estate or personal property including but not limited to land, building and other structures and appurtenances thereto, roads, highways, bridges, railroads, railroad equipment and rolling stock, track material, power plants and transmission lines, water systems, communication systems, airfields and ancillary installations, harbors, rivers, piers, buoys, pits, machinery, tools, material, supplies and equipment, of every description.
6. "New Arrangements" mean existing formal written contracts, and formal written contracts to be negotiated in the future, for the provision of utility service effective subsequent to the effective date of the settlement agreement, or on such other date as is mutually agreed upon.

ARTICLE II

This agreement shall not apply to claims and accounts arising out of the various economic assistance and rehabilitation programs and out of the furnishing to the ROK military forces or material and common use items, but shall apply to claims and accounts arising out of the use and/or occupancy or real property in connection with such program and military aid and further shall apply to material and common use items affixed and made a part of real property by the Unified Command in Korea.

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ARTICLE III

1. The ROK forever releases and agrees to hold harmless the U.S. of America, acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command, and their nationals, from any and all claims and accounts in the field of utilities service and for real property occupancy and/or use arising in Korea incident to the action to repel aggression in Korea, during the period from 25 June 1950 through the effective date of the agreement which might be asserted against the U.S. acting in its capacity as the Unified Command, the governments of the nations furnishing military forces or other assistance to the Unified Command, and their nationals by the ROK, nationals of the ROK, and other persons owning property, rendering utility service, or residing in Korea.
2. The U.S. of America, acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command, forever releases and agrees to hold harmless the ROK and its nationals from any and all claims and accounts in the field of utilities services and for real property occupancy and/or use arising in Korea incident to the action to repel aggression in Korea, during the period 25 Jun 1950 through the effective date of this agreement which might be asserted against the ROK and its nationals by the U.S. of America, acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command and their nationals.
3. The ROK forever releases and agrees to hold harmless the U.S. of America, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command and their nationals, from any and all claims and accounts in the field of utilities service and for real property occupancy and/or use arising in Korea after the effective date of this agreement, which might be asserted against the U.S., acting in its capacity as the Unified Command, the government of the nations furnishing military force or other assistance to the Unified Command, and their nationals by the ROK, nationals of the ROK and other persons owning property, rendering utility services, and/or residing in Korea, except those claims and accounts in the field of utilities service based upon a writing signed by a duly appointed contracting officer of the nation against whom the claim is asserted.
4. The U.S. of America, acting in its capacity as the Unified Command, on its own behalf and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command, forever releases and agrees to hold harmless the ROK and its nationals from any and all claims and accounts in the field of utilities service and for real property use and/or occupancy arising in Korea after the effective date of this agreement, which might be asserted against the ROK and its nationals by the U.S. of America acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces or other assistance to the Unified Command and their nationals, except those claims and accounts in the field of utilities service based upon a writing signed by a duly appointed contracting officer of the nation against whom the claim is asserted.

ARTICLE IV

1. The Unified Command agrees to settle all claims and accounts arising under existing formal written contracts for the provision of utilities services and to undertake to negotiate new arrangements relating to the provision of utilities services on and after the effective date of this agreement. From that date forward, the U.S. of America and the governments of those nations furnishing military forces and other assistance to the Unified Command, each acting separately, agree to bear all expenditures for utilities service incident to the maintenance of their respective forces in Korea, except that to the extent arrangements are made in the future for payment

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for material, supply, equipment and services furnished to ROK by the U.S. of America or any of the governments of those nations furnished military forces and other assistance to the Unified Command, the governments of the nation furnishing the material, supplies, equipment and services may elect to offset amounts owed by ROK against amounts due ROK by U.S. for utilities service furnished under existing and new arrangements. Any amounts due the U.S. in payment for U.S. material, supplies, equipment and service furnished to ROK and any amounts due the ROK from the U.S. for utilities service under future offset arrangements will be established in dollar values, to be determined in accordance with Article V of this Agreement.

2. The ROK agrees to furnish without cost of the U.S. of America and other nations furnishing military forces or other assistance to the Unified Command all real property used or occupied by the U.S. of America and such other nations in connection with the resolution of the Security Council of 27 June 1950.

3. The expenditures, activities, and property of the U.S. of America, acting in its capacity as the Unified Command, and of the governments of those nations furnishing military forces and other assistance to the Unified Command, shall be relieved of all customs, duties, taxes, interest, imposts, and fees or charges of any description levied or authorized by the ROK, its agencies, or political subdivisions and in all cases shall be charged for utilities service at rates no less favorable than those charged ROK Governmental agencies.

ARTICLE V

It is agreed that the value of the Korean currency to be used in computing the U.S. dollar value of claims under this Agreement shall be the official military conversion rate at the time the services were rendered or real property occupied or used.

ARTICLE VI

This Agreement supersedes, in whole and in part, any agreement, expressed or implied, relating to the settlement of claims and accounts for the rendition of utilities service or for real property use and/or occupancy arising out of the Korean conflict between the dates 25 June 1950 and the effective date of this Agreement, except for prior and existing formal contracts for utility service.

ARTICLE VII

1. This Agreement shall be registered with Secretary General of the United Nations in compliance with the provisions of Article 102 of Charter of the United Nations.

2. This Agreement shall enter into operation and effect immediately upon signature hereto.

3. Done in duplicate in the English and Korean languages, at Seoul, Korea, on this blank day of blank, 1955. The English and Korean texts shall have equal force, but in case of divergence, the English text shall prevail.

In witness whereof, the respective representative, duly authorized for the purpose, have signed the present Agreement. For the Government of the U.S.-of America, Acting in its capacity as the Unified Command, on its own behalf, and on behalf of the governments of those nations furnishing military forces and other assistance to the Unified Command.

BY blank
For the Government of the ROK

BY blank

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- COPY -

UNCLASSIFIED

HEADQUARTERS, FAR EAST COMMAND
Adjutant General's Office
Radio Section

*Rec'd from Capt.
Pope (ACF-K) on
Dec. 13/55
ed.*

INCOMING MESSAGE

INCOMING MESSAGE

ROUTINE

TOO: 012306 Z Dec 55

TOR: 021040 I Dec 55

FROM: DA (CINFOE)

TO : CINCFE (PIO, TI&E), AFPE/ARMYEIGHT (R) (PIO), CHMAAG
TAIPEI, CRMAAG SAIGON, CINCREP, KOAC, SR M&R UNCMAC

CITE: DA 369597 (BOOK MSG)

New York Journal American, Seoul, Nov 26, INS:
Commander of famed US 24th Infantry Division declared yesterday his men are 'combat ready.' Major General S B Mason expressed sympathy for the American soldier saying a 16 month tour of duty in Korea was a 'bit too long.'

Washington Star, Seoul, Dec 1, AP: South Korea has asked UNC 'to wipe an old debt off the books' - a multimillion dollar bill for electricity, water and transportation. Full amount asked was not given but Korean Government recently estimated bill for power and utilities furnished UN forces since early in Korean War at about \$50 million. Hongkee Karl said there was an agreement early in the war to pay for these services to provide which 'Korean Government has been put to considerable expense.'

New York Post correspondent Joseph P Lash, 29 Nov:
behind President Eisenhower's strenuous efforts to keep Chiang Kai Shek from dooming UN Package Deal on new members is anxious over Red China's military buildup across from Formosa. US Intelligence has been watching apprehensively appearance of jet airfields, supply roads and railroads in Fukien Province. It estimates that by February or March Chinese Communists will be able to use jet airpower to back up an attack on Quemoy and other offshore islands.

New York Times, Kuala Lumpur, Nov 30, Reuters: British and Australian AF bombers began today an aerial bombardment against communist terrorists in fifth day of Malaya's biggest anti-terrorist battle in nearly a year.

ACTION: PIO

INFO : COFS, J1, J2, J3, J4, J5.

NOTE : This msg passed by AGJ-R to FEAF and COMNAVFE via courier for info.

97137

PMN/dh

COPY

HEADQUARTERS FAR EAST COMMAND

Dated also 9/55.

FROM : CINCUNC TOKYO JAPAN		CONFIDENTIAL
TO : CGAFFE/ARMYEIGHT KOREA		
INFO : CGAFFE/ARMYEIGHT (REAR)	DA985119	CONFIDENTIAL
CP ZAMA JAPAN (COURIER)	C 74059	CONFIDENTIAL
COMNAVFE YOKOSUKA JAPAN (COURIER)	DA 369597	UNCLASSIFIED
COMFEAF TOKYO JAPAN (COURIER)	UNCEB 6-12	CONFIDENTIAL
CINC REP KOREA		
AMEMB KOREA		
AMEMB JAPAN(COURIER)		

C 74912.

cgaffe/SA for Gen Harmony. Subject : Settlement of Claims and Accounts in Korea.

Ref : A DA 985119 DTG 182003Z Jul
B C 74059 DTG 171036Z Sep
C DA 369597 DTG 012306Z Dec
D UNCEB 6-12 DTG 050900Z Dec

1. a. ROK Minister of Finance transmitted letter quoted below to HQ UNC :

"Reference is made to your letter of 28 Oct 55, relating to the settlement of claims and accounts in Korea, in which you have restated a guidance for the proposed conference to discuss with the problem.

"Regarding the matter of mutual waiver of past claims, this is hardly acceptable to this government. Contrary to your calculation, we consider ROK contributions with utilities services, real estate and materials far exceed the value of the materials, supplies, equipment and services received from the Unified Command during and after hostility period. The principles which you have suggested in the letter of 16 Sep 55 specifically and restated on the letter of 28 Oct 55 briefly should serve as parts of departure in the coming meeting. We desire to convene the initial conference in an earliest possible date, of course, on the basis of those agreements and memoranda between the Unified Command and the Republic of Korea since the Korean War started, where calculation and principles should be examined and mutually agreed.

"I am glad that Major General John W. Harmony has been appointed the representative of the Commanding General, United States Army Forces, Far East and Eight United States Army and he is prepared to meet with me. I respectfully suggest again that our initial meeting should be made in Seoul on or about 12 Dec 55 (Monday). Your prompt reply is cordially requested.

"With highest esteem, I am,

Kim Hyun Chul
Minister of Finance".

b. Because of prior military commitments Gen Harmony in phonecon this HQ stated he is precluded from meeting with ROK Minister of Finance on 12 Dec, but will meet with him on 15 Dec at convenience of ROK Minister. Accordingly, this HQ replied to ROK letter as follows:

" 6 Dec 55.

"My Dear Mr. Minister :

"This will acknowledge receipt of your letter of 21 Nov 55, relating to the settlement of claims and accounts in Korea.

"The principles stated in our letter of 16 Sep 55, which are reaffirmed in our letter of 28 Oct 55, are the result of a coordinated position among the governments who furnished military forces and

field hospitals t

001200

field hospitals to the Unified Command in repelling the communist invasion of Korea. This headquarters has no authority to modify these principles which were designed to permit a prompt and equitable settlement. Further, it is desired to reiterate that the principles are considered here as most equitable.

"In reference to your statement that the mutual waiver of past claims is hardly acceptable to your government, and that you consider the Republic of Korea contributions of utilities services, real estate and materials far exceed the value of materials, supplies, equipment and services received from the Unified Command during and after the hostility period, you will recall that, in the letter of 16 Sep 55, it was stated that :

'The position of the United States and of those nations furnishing military forces and field hospitals in Korea is that no payment should be made for utility services furnished prior to the effective date of new arrangements. However, if the Republic of Korea so desires, the Unified Command is prepared to enter into a detailed comparison of Republic of Korea claims and accounts for utility services furnished by the Republic of Korea and the equipment, materials, supplies and services furnished to the Republic of Korea in support of the Republic of Korea. For this purpose, the value of equipment, materials, supplies and services provided to the Republic of Korea by the United States and by those nations furnishing military forces and field hospitals to the Unified Command on the one hand, and utility services furnished to such forces by the Republic of Korea, on the other hand, during the post-hostilities period only, on a cumulative basis. In computing the value of claims and accounts, the military conversion rate applicable during the time the equipment, materials, supplies and/or services were furnished should be used'.

"Your letter and a copy of this reply have been furnished the Commanding General, United States Army Forces, Far East and Eighth United States Army (Rear), and Major General John W. Harmony, the representative of the Commanding General, United States Army Forces, Far East and Eighth United States Army, Korea, who is prepared to make the comparison mentioned heretofore, based on the principles outlined in the letter of 16 Sep 55. Previous military commitments prevent General Harmony from meeting with you on the date of 12 Dec; however, he will be ready to meet with you at your convenience, on Thursday, 15 Dec 55".

c. "General Harmony envisages that the initial discussion will be informal in nature and that the number of conferees at the meeting, therefore, should be kept to a minimum.

2. Gen Harmony should issue a statement at conclusion of meeting on 15 Dec 55, along the lines of press release quoted below:

"Proposed Press Release

"Kim Hyun Chul, ROK Minister of Finance, and Major General Harmony, Chief of Staff, AFPE/Eighth US Army, met in Seoul today to negotiate the settlement of claims and accounts which have arisen since 1950 as a result of the Korean conflict.

"General Harmony, as the spokesman of the United Nations Command, proposed that the ROK and the Unified Command agree to waive all past claims arising in the field of utilities services and to negotiate contracts which will permit individual using nations to pay the ROK, on a current basis, for the utilities services furnished the United Nations Command nations in the future.

"The US and those nations furnishing military forces and field headquarters to the Unified Command agreed to the mutual waiver of past claims in order to eliminate the possibility of adding a large debt to war-torn Korea. These nations have contributed to Korea in the field of utilities services over 150 millions of dollars in equipment, materials, supplies and services as against claims of less than 30 millions of dollars in the same fields which the ROK have filed with the US.

"The discussions today were conducted in an atmosphere of friendly cooperation and it was predicted that a most successful solution would be forthcoming soon to demonstrate to the world at large the feasibility of several nations of the United Nations assisting a nation, the victim of unjustified communist aggression".
(Alternate Concluding Paragraph)

"The discussions today resulted in no agreement being reached as to the principles which would permit an equitable settlement and General Harmony informed the ROK Minister of Finance that he would have to refer the proposals of the ROK Government back to the interested governments for further instructions."

3. This Hq has furnished the UNC British Liaison officer with copies of letters quoted herein for use of Gen Alderson, BCPC.

File 210-7-13

E.L.

Conclusion of meeting of Commonwealth representatives on 13.12.55


There appear to be ~~three~~ possible results of the meeting on December 15 between General Harmony and the R.O.K. Minister of Finance:

- (a) The R.O.K. Minister may agree to the principles~~mf~~ agreed by the U.N. side(i.e., waiver of past claims)
- (b) The R.O.K. Minister may want to examine facts and figures regarding past claims.
- (c) The R.O.K. Minister may formally demand a unilateral waiver of past claims.
- (d) The R.O.K. Minister may insist on bringing in other matters (e.g., status of forces questions)

The meeting agreed that these views might be put to General Harmony by Brigadier Alderson with the following suggestions:

- (1) If (a) above, agree a suitable press release with the R.O.K. but don't offer draft agreement yet (see (4) below)
- (2) If (b) and (c) above, try to avoid any publicity beyond a factual statement that the meeting has taken place.
- (3) In no circumstances should the draft agreement be presented to the R.O.K. before Commonwealth Governments have a chance to comment.
- (4) If (c) and (d) above, then reference back to Governments will be necessary.

TRANSMITTAL SLIP

TO:  Under-Secretary of State for.....
..... External Affairs, Ottawa, Canada.....
FROM: ... The Canadian Embassy,.....
..... Tokyo, Japan.....

Security. **Unclassified**.....
Date. **December 8, 1955**.....
Air or Surface. **Air**.....
No. of enclosures... **2**.....

The documents described below are for your information.

Despatching Authority..... **G. Bertrand**.....

Our File No. 2107-13
Your File No. 50069-M-40

Copies	Description	Also referred to:
2	<p>copies press item which appeared in <u>The Korean Republic</u> on November 26, 1955</p> <p>Subject: Korea - Status of Forces - Claims Negotiations</p>	

INSTRUCTIONS

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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.

File 210-7-13

November 26, 1955 - The Korean Republic

Govt. asks UNC for Power, Rent Payment Talks

The Ministry of Finance has asked the United Nations Command to open a conference Dec. 12 to settle the long-overdue payment of charges for utilities and rentals to U.N. troops in Korea.

The Government has been attempting to reach an agreement on this question for more than a year. The UNC is reported to have proposed late last month to offset the bills with the material and technical assistance given Korea.

Korean officials claim, however, that the UNC owes Korea far more than Korea owes the Command.

\$550 Million Unpaid

It is understood that the new call for the ROK-UNC meeting is intended to sound out the UNC's official stand on the issue.

An unofficial estimate sets bills for power, water, and communications services at \$50 million, and rents for buildings and land at \$500 million.

Power company sources claim that power supplied to U.N. troops during the 60 months ended in June is valued at 3,782,000,000 hwan, and that the delay in payment has caused serious financial difficulties.

TRANSMITTAL SLIP

TO: **Under-Secretary of State for**.....

External Affairs, Ottawa, Canada......

FROM: **The Canadian Embassy,**.....

Tokyo, Japan.....

The documents described below are for your information.

Despatching Authority..... **G. Bertrand**.....

Security..... **Unclassified**.....

Date..... **December 5, 1955**.....

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

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

Our File No. 210-7-13
Your File No. 50069-M-40

Copies	Description	Also referred to:
2	<p>copies of article published in Korea Press, Dec. 1, 1955.</p> <p>Reference: Our letter No. 1181 of November 23, 1955</p> <p>Subject: Korea - Status of Forces - Claims Negotiations</p>	



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CONFIDENTIAL

(1191/155/55)

BRITISH EMBASSY,
TOKYO.

December 2, 1955.

The Amb.
~~Mr Newton~~
~~Mr Halsford~~

To see ps
+ return

WITH THE COMPLIMENTS

OF

B. Greenhill
HER BRITANNIC MAJESTY'S EMBASSY

Res file
YB. -

Mr G. Bertrand,
Canadian Embassy,
Tokyo.

guy
ps Falk.
YB. -

001209

CONFIDENTIAL

(191/155/55)

210-7-73

Record of Meeting held in the British Embassy
at 11 a.m. on Monday, November 28, 1955

Lt.-Col. W. W. Daunt	B.C.F.K.
Mr R. W. L. Austin	Australian Embassy
Mr R. Cunninghame	New Zealand Legation
Mr G. Bertrand	Canadian Embassy
Captain H. Pope	U.N. Command
Mr B. Greenhill	British Embassy
Mr J. M. Furley-Smith	British Embassy

Korean Claims Negotiations

1. Mr Greenhill recalled that at the last meeting on this subject between representatives of the Commonwealth Missions concerned and B.C.F.K. it had been agreed that Brigadier Alderson should ask the U.N. Command to make two amendments in their draft reply to the R.O.K. Government. The Brigadier had seen Colonel Riley of U.N. Command on the same day (October 25) and had been told that the letter had already been sent with the incorporation of one of the amendments. When a copy of the letter was received, however, it turned out that it was not in fact sent until three days later (on October 28) and that it incorporated neither of the desired amendments. The letter as sent was therefore unsatisfactory. Apart from the question of the letter itself, the general attitude of the U.N. Command towards the Commonwealth seemed casual and might create further difficulties when the negotiations began. The U.K. Embassy were of the view that B.C.F.K. should protest to U.N. Command and ask for better liaison in the future - in the first place through Brigadier Alderson, the Commonwealth representative.

2. Colonel Daunt said he thought the protest should be made at the highest level. He suspected that the real cause of the trouble was simply inefficient staff work in U.N. Command, and representations at Colonel Riley's level did not appear to carry enough weight. He understood that Brigadier Alderson had explained the full position to General Bierwith. Colonel Daunt said he would find out the General's views when he arrived in Tokyo on November 29 and would let Mr Greenhill know of them so that he could inform the other Commonwealth Missions.

3. Mr Bertrand said the reply which had been sent to the R.O.K. Government seemed to commit the U.N. side to starting negotiations as soon as the Koreans said they were ready, which might be at any time. Captain Pope said he thought the Commonwealth representative would always be able to hold up the start of negotiations by asking for further discussions on the U.N. side. So far as he knew no reply had yet been received from Korea.

210-7-13

CONFIDENTIAL

Seen [signature]

December 1, 1955

MEMORANDUM FOR THE AMBASSADOR (through Mr. Halstead)

Korea - Claims Negotiations

I had a telephone call yesterday from Basil Greenhill of the British Embassy concerning the present status of the claims negotiations in Korea. He told me that Col. Daunt, the Commander of Ebisu Camp, had met Gen. Bierwirth upon the latter's arrival in Tokyo. Col. Daunt mentioned to him the possibility of the General meeting with the heads of the Commonwealth Missions concerned to make further approaches to the UNC in order to secure more cooperation.

Before having a meeting called, Gen. Bierwirth said that he would like to have a few days to think the matter over and possibly make informal enquiries at UNC. I believe that his decision is based on the very informal opinion of Col. Daunt that the UNC made a mistake in sending their last communication to the Korean Ministry of Finance. Apparently the wrong letter was sent, that in initialled draft rather than that which had been amended by the Eighth Army and which actually embodied the views of the Commonwealth side. Col. Daunt, of course, has no grounds to justify his assertions in that regard. If this is the case, however, it would not appear necessary for the Commander-in-Chief to meet the heads of missions concerned, and official approaches to CINCUNC would have only the result of causing further embarrassment to the officers concerned.

I shall have further details about this matter some time today or tomorrow.

43. —

G. Bertrand