



MEMO NO. 33

March 22, 1955

Dear President Rhee:

Subject: Oil Storage (Kosco) Agreement

I am pleased to report that, yesterday evening, agreement was reached on the working level between the three parties (Korea, the United States, and Kosco) to the oil storage contract. A final draft is being printed in the Korean and English languages, and Kosco representatives are taking it to their head office in New York for final Kosco approval and signature. This will require about 12 days. It will then be submitted to the U.S. and to the Korean Government for final approval.

In my opinion this is a good contract. It has no resemblance to the 1949 Kosco contract. It embodies all the principles advocated by the Minister of Commerce and Mr. Paik To Chin. It gives Kosco no monopoly and no leverage. Kosco has no part in the procurement of petroleum products. It merely operates the storage facilities as a public utility for a fee of \$30,000 a month. The Korean Government may terminate the contract with Kosco at any time. In the beginning, Kosco will direct the distribution of petroleum products, but all of its distributors must obtain licenses from the Ministry of Commerce. When independent companies wish to go into the petroleum business, Kosco must give up the distribution function, and accept a lower fee. Kosco will have no voice in selecting the independent companies that will, eventually, take over all or part of the petroleum business in Korea.

Col. Reilly and Mr. Chatt, representing the United States in the negotiations with Kosco, were most helpful. They strongly supported the Korean viewpoint.

As soon as a draft embodying the final agreement has been reproduced, a copy will be delivered to your office.

Harold
Harold Wendell Lady

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