

February 14, 1955

Letter, Harold Lady to Syngman Rhee

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Summary:

Harold Lady reports on the quality and disposition of US Army stockpile goods obtained by Korea.

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Memo No. 17

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February 14, 1955

Dear President Rhee:

Subject: \$43,000,000 Purchase from U.S. Army Stockpiles

I spent most of Saturday visiting U.S. Army depots and was favorably impressed with the quality and usefulness of the items on hand. If the estimated value of \$43,000,000 (based on the Army pricing formula of 50% discount on items that are new and in perfect condition, 65% discount on items that are used and in good condition, and 70% to 95% discount on imperfect items) is correct, the original cost of this material exceeded \$150,000,000. This means that the physical quantities involved is probably greater than the total materials, exclusive of food and fertilizer, that have been brought to Korea in any one year under the various aid programs since V. J Day.

This purchase plus the proposed \$30,000,000 contribution by the U.S. to help the Hwan budget of the Korean Army, provides an opportunity to withdraw large amounts of Hwan from circulation, decrease the price index and Hwan/dollar exchange ratio, and put an end to inflation.

However, it is believed this can be accomplished only if there is a change in the present plan which is that the various Ministries and other Government subdivisions will select from the Army stockpiles all of the items they can use. It is suggested that instead of devoting as much of this material as possible to Governmental uses, as much as possible should be sold to the public at auction for the highest prices in Hwan



obtainable. This will reduce the Hwan in circulation and increase the quantities of commodities on the free market, thus making a two-pronged attack on inflation.

Probably more than half the items made available by the U.S. Army must, because of their nature, go to Government agencies; for example, railroad cars, culverts, roadbuilding equipment, heavy structural steel, etc. But many items such as lumber, roofing, nails, hand tools, space heater carburetors, steam radiators, etc., could be used either by the public or Government agencies, and it is in the case of such items that I recommend that preference be given to the public.

Many of the requirements of Government agencies have been embodied in projects to be financed with aid funds. In time the items will be procured and imported in accordance with standard procedure so that, for example, all the lumber, steel and cement needed for a particular structure will arrive at approximately the same time. If the Government agencies select part of their requirements from the U.S. Army stockpile, they will have the problem of storing and preserving them until the other materials required for the project arrive.

I do not recommend the adoption of a hard and fast rule, but merely suggest that those responsible for the success of this transaction be guided by the philosophy that-

1. They should purchase from the U.S. Army all items that can be sold to the public with a high return in Hwan in proportion to their dollar price.

2. Unless there is an urgent and immediate requirement on the part of a Government agency, any item suitable for either Government or private use should be sold to the public.

It should also be mentioned that there is reason to believe that there is considerable flexibility in the prices the U.S. Army has established and that the representatives of the Korean Government should endeavor to obtain the lowest price possible on each item it selects.

Harold
Harold Wendell Lady