



November 1, 1955

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SUBJECT: Korea-Japan Civil Trade

I. Government's Policy Re Civil Trade with Japan

Until the end of the year 1954 the trade between Korea and Japan had been extremely one-sided with the import from Japan overwhelming the export thereto. There is also a tendency that some Japanese trading firms maintain dealings with Red China in order to find markets for Japanese manufactured goods.

Upon the instructions from the Government this office has commenced the consular invoice service in order to combat this situation in respect of the Korea-Japan trade.

In the meantime the Government, by the public statement issued on August 18, 1955, announced the severance of the existing trade relations with Japan. In September this office received from His Excellency the President the instructions to stress to the Japanese side that the Korea-Japan trade should be conducted under the principle of reciprocity.

The Japanese Government agreed in principle to this idea and now understands that the two countries should exchange an equal amount of import and export goods.

This office also received the instructions from the Government that future civil trade between Korea and Japan should be conducted, not on a private basis, but through official channels, since civilian business trips to and from Japan will not be allowed.

II. Recommendations on Implementation of Trade Policy

As a formula for the implementation of the trade program between Korea and Japan on the basis of the above-mentioned instructions I present the following recommendations for consideration by the Government:

a. Background:

It is estimated that the annual total of our exports to Japan will reach approximately \$12,000,000. On the basis of reciprocity our side will have to buy the equal amount of Japanese goods in return. It means that the total of approximately \$24,000,000 worth

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of goods will be exchanged between the two countries annually, in the event the trade is resumed under the said principle.

It is considered in this case that a substantial number of personnel must be assigned to the handling of the above-mentioned volume of trade, since all trade will be through official channels.

Take the method now adopted by the Chinese Government for instance. The Central Trust of China keeps its Tokyo office whose functions are to take charge of trade business between Taiwan and Japan. The said organization is semi-governmental with a staff of about 40 persons; 20 sent from Taiwan and 20 others locally recruited, and handles practically all phases of trade between Taiwan and Japan, including signing of contracts, execution of contracts and settling of possible claims.

b. Recommendations:

Similarly, our Government may establish an organization of this kind which will take charge of all aspects of trade between Korea and Japan on behalf of our traders at home. It is a matter of course, in this case, that activities of such organization will be placed under strict supervision by the Government, by every possible means, including the issuance of consular invoices and certificates of final consumption.

As stated briefly in the fore-going paragraph, it is necessary to send a minimum of a dozen personnel from Korea to insure smooth operation of the Tokyo office of the said organization in consideration of the volume of trade and also the extensive variety of goods to be handled.

c. Alternative:

The alternative that can be thought of is for the Government to directly handle all phases of business in connection with the Korea-Japan trade. More specifically, the Ministry of Commerce and Industry will be required to send experienced trade officials to Tokyo whose duties are to exclusively handle all kinds of trade business with Japan. These officials will be under strict supervision by the Government in execution of official duties.

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In this case I believe that the Government (Ministry of Commerce and Industry) will purchase all exportable items from each individual trader and supplier with Special Funds and also sell imported items to domestic markets with proceeds therefrom to be deposited with the Government Account.

These trade officials to be dispatched will make purchase or sale of those items for export or import on behalf of the Government.

As the first step to implement this idea, the Government should establish a Special Account, which will reach the equivalent amount of the total export-import value. The establishment of such Account may require certain budgetary procedures.

d. Conclusion:

In view of the above-mentioned circumstances it seems that the only practical way for effectuating civil trade with Japan, with a minimum delay, in compliance with the basic policy of the Government, will be to establish a sort of semi-governmental agency, as suggested in Paragraph b. above.

This semi-governmental organization (to be tentatively called: Daihan Special Trading Corporation) with head office in Seoul, will establish a branch office in Tokyo. This Corporation will be organized as a juridical person and, therefore, can handle any export and import business between Korea and Japan on behalf of our traders at home. Furthermore, members of this organization can be considered as semi-government officials whose activities will be under strict supervision by the Government, including this office.
