

C O P Y

MINISTRY OF FINANCE
REPUBLIC OF KOREA

Seoul, Korea
28 September 1954

Sir,

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

(quote in extenso)

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

I have the honour to be, Sir,

Your obedient servant,

LEE, JOONG CHAI
Minister of Finance.

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

C O P Y

British Legation,
Seoul.

September 28, 1954.

Monsieur le Ministre,

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

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

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

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

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

(2) Subject to the provisions of point (9) below, settlements for advances after May 31, 1954, less any sum returned under Article 2 of the Agreement between the Governments of the Republic of Korea and the United States of America of July 28, 1950, will be effected monthly in sterling at the military exchange rate in force on the date or dates when advances are made and the middle market rate in London for the United States dollar on the date of the advance. In the event of a devaluation of the hwan affecting hwan advanced, the Government of the Republic of Korea will allow six days' grace after

/ devaluation

devaluation for the return of hwan balances under Article 2 of the aforesaid Agreement. In the event of any changes being made in the spread within which the middle market rate can at present fluctuate (i.e. \$2.78 - \$2.82 to the £, as now officially recognised by the International Monetary Fund) or of any changes occurring in the United Kingdom Exchange Control Regulations which materially affect the Republic of Korea, the methods of calculation and payment for hwan advances after the effective date of the changes shall be reviewed.

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

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

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

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

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

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

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

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

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

(i) any rebate allowed;

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

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

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

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

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