

AGREEMENT ON ECONOMIC COORDINATION BETWEEN
THE REPUBLIC OF KOREA AND THE UNIFIED COMMAND

Signed at Pusan May 24, 1952

Entered into force May 24, 1952

Superseded by the Agreement of Feb. 8, 1961

Whereas by the aggression of Communist forces the Republic of Korea became in need of assistance from the United Nations;

And whereas the United Nations by the resolution of the Security Council of June 27, 1950, recommended that members of the United Nations furnish such assistance to the Republic of Korea as may be necessary to repel the armed attack and to restore international peace and security in the area;

And whereas the United Nations by the resolution of the Security Council of July 7, 1950, recommended that members furnishing military forces and other assistance to the Republic of Korea make such force and other assistance to the Republic of Korea make such forces and other assistance available to Unified Command under the United States;

And whereas the United Nations, by the resolution of the Security Council of July 31, 1950, requested the Unified Command to exercise responsibility for determining the requirements for the relief and support of the civilian population of Korea and for establishing in the field the procedures for providing such relief and support;

whereas it became necessary to carry out collective action against aggression on Korean soil;

And whereas, pursuant to the July 7, 1950, resolution of the Security Council of the United Nations, the Unified Command has designated the Commander in Chief, United Nations Command, to exercise command responsibilities in Korea;

And whereas the Unified Command has already furnished and is furnishing substantial assistance to the Republic of Korea;

And whereas it is desirable to coordinate economic matters between the Unified Command and the Republic of Korea, in order to insure effective support of the

military forces of the United Nations Command, to relieve the hardships of the people of Korea, and to establish and maintain a stable economy in the Republic of Korea: all without infringing upon the sovereign rights of the Republic of Korea: Therefore, the Republic of Korea and the United States of America acting pursuant to the resolutions of the Security Council of the United Nations of July 7, 1950, and July 31, 1950 (hereinafter referred to as the Unified Command) have entered into this agreement in terms as set forth below:

Article 1

Board

1. There shall be established a Combined Economic Board hereafter referred to as the Board.

2. The Board shall be composed of one representative from the Republic of Korea and one representative of the Commander-in-Chief United Nations Command (CINCUNC). Before appointing its representative each party shall ascertain that such appointment is agreeable to the other party. The Board shall establish such subordinate organization as may be necessary to perform its own functions and determine its own procedures. It shall meet regularly at an appropriate location in the Republic of Korea.

3. The primary function of the Board shall be to promote effective economic coordination between the Republic of Korea and the Unified Command. The Board shall be the principal means for consultation between the parties on economic matters and shall make appropriate and timely recommendations to the parties concerning the implementation of this Agreement. Such recommendations shall be made only upon mutual agreement of both representatives. The Board shall be a coordinating and advisory body; it shall not be an operating body.

4. The Board and the parties hereto will be guided by the following general principles:

a. The Board will consider all economic aspects of the Unified Command programs for assistance to the Republic of Korea and all pertinent aspects of the economy and programs of the Republic of Korea, in order that each of the Board's recommendations may be a part of a consistent overall program designed to provide maximum support to the military effort of the United Nations

Command in Korea, relieve the hardships of the people of Korea, and develop a stable Korean economy.

b. It is an objective of the parties to increase the capabilities of the Republic of Korea for economic self-support so far as is possible within the limits of available resources and consistent with the attainment of fiscal and monetary stability.

c. Successful conduct of military operations against the aggression of the Communists is the primary consideration of the parties. Accordingly, the command prerogatives of the Commander-in-Chief, United Nations Command, are recognized; and the Commander-in-Chief, United Nations Command, shall continue to retain all authority deemed necessary by him for the successful conduct of such operations and the authority to withdraw and to distribute supplies and services furnished under this agreement in order to meet emergencies arising during the course of military operations or in the execution of civil assistance programs. On the other hand, the prerogatives of the Government of the Republic of Korea are recognized, and the Government of the Republic of Korea shall continue to retain all the authority of a sovereign and independent state.

5. The Board shall make recommendations necessary to insure:

a. That the expenses of the Board and the expenses (i.e., local currency (won) expenses and expenses paid from assistance funds) of all operating agencies established by the Unified Command or the Republic of Korea to carry out assistance programs under this Agreement, shall be kept to the minimum amounts reasonably necessary, and

b. That personnel, funds, equipment, supplies and services provided for assistance purposes are not diverted to other purposes.

Article 2

The Unified Command

The Unified Command undertakes:

1. To support the recommendations of the Board to the extent of the resources made available to the Unified Command.

2. To require the Commander-in-Chief, United Nations Command, to designate his representative on the Board and to furnish to the Board such personnel and other necessary administrative support from the United Nations Command as the

Board may recommend.

3. To furnish to the Board timely information on all civil assistance programs of the Unified Command and on the status of such programs.

4. Within the limitations of the resources made available by governments organizations to the Unified Command, to assist the Republic of Korea in providing for the basic necessities of food, clothing and shelter for the population of Korea; for measures to prevent epidemics, disease, and unrest; and for projects which will yield early results in the indigenous production of necessities. Such measures and projects may include the reconstruction and replacement of facilities necessary for relief and support of civilian population.

5. To assert a in, consultation with the appropriate authorities of the Government of the Republic of Korea, the requirement for equipment, supplies, and services for assisting the Republic of Korea.

6. To provide for the procurement and shipment of equipment, supplies and other assistance furnished by the Unified Command; to supervise the distribution and utilization of this assistance; and to administer such assistance in accordance with the above cited resolutions of the United Nations.

7. To consult with and to utilize the services of the appropriate authorities of the Government of the Republic of Korea, to the greatest extent feasible, in drawing up and implementing plans and programs for assisting the Republic of Korea, including the employment of Korean personnel and the procurement, allocation, distribution and sale of equipment, supplies and services.

8. To carry out the Unified Command program of assistance to the Republic of Korea in such a way as to facilitate the conduct of military operations relieve hardship, and contribute to the stabilization of the Korean economy.

9. To make available in Korea to authorized representatives of the government of the Republic of Korea appropriate documents relating to the civil assistance programs of the Unified Command.

Article 3

Republic of Korea

The Republic of Korea undertakes:

1. To support the recommendations of the Board.
2. To designate the representative of the Republic of Korea on the Board and to furnish to the Board such personnel and other necessary administrative support from the Republic of Korea as the Board may recommend.
3. To furnish to the Board timely information on the economy of Korea and on those activities and plans of the Government of the Republic of Korea pertinent to the functions of the Board.
4. While continuing those measures which the Government of the Republic of Korea has endeavored heretofore to make effective, to take further measures to combat inflation, hoarding, and harmful speculative activities, to apply sound, comprehensive and adequate budgetary, fiscal and monetary policies, including maximum collection of revenue;
To maintain adequate controls over the extension of public and private credit; to provide requisite and feasible pricing, rationing and allocation controls; to promote wage and price stability; to make most efficient use of all foreign exchange resources; to maximize the anti-inflationary effect that can be derived from relief and other imported essential commodities through effective programming, distribution and sales; to provide the maximum efficiency in utilization of available production facilities; and to maximize production for export.
5. With reference to assistance furnished under this Agreement:
 - a. To provide operating agencies which will develop and execute, in consultation with operating agencies of the United Nations Command, programs relating to requirements, allocations, distribution, sale, use and accounting for equipment, supplies and services furnished under this Agreement; to submit to the Board budget estimates of the expenses of such Republic of Korea agencies; to include such estimates in the national budget; to defray those expenses from the resources available to the Government of the Republic of Korea, including, where the Board so recommends, such funds as made available under clause 7 d (2) of

this article, and to insure that such expenses are kept at a minimum. It is intended that such expenses will be defrayed from the general account revenues of the Republic of Korea when the economy of the Republic of Korea so permits.

b. To permit the Commander-in-Chief, United Nations Command, to exercise such control over assistance furnished hereunder as may be necessary to enable him to exercise his responsibilities under the above cited resolutions of the United Nations.

c. To achieve maximum sales consistent with relief needs and to be guided by the recommendations of the Board in determining what equipment, supplies, and services are to be distributed free of charge and what are to be sold.

d. To require Republic of Korea agencies handling equipment and supplies furnished under this Agreement to make and maintain such records and reports as the Commander-in-Chief, United Nations Command, or the Board may consider to be necessary in order to show the import, distribution, sale and utilization of such equipment and supplies.

e. To impose import duties or charges, or internal taxes or charges, on goods and services furnished by the United Nations Command only as recommended by the Board.

f. To permit and to assist the authorized representatives of the Commander-in-Chief, United Nations Command, freely to inspect the distribution and use of equipment, supplies, or services provided under this Agreement, including all storage and distribution facilities and all pertinent records.

g. To insure (1) that the people of Korea are informed of the sources and purposes of contributions of funds, equipment, supplies, and services and (2) that all equipment and supplies (and the containers thereof) made available by the United Command to the civilian economy of the Republic of Korea, to the extent practicable, as determined by the Commander-in-Chief, United Nations Command, are marked, stamped, branded, or labeled in a conspicuous place as legibly, indelibly, and permanently as the nature of such equipment and supplies will permit and in such manner as to indicate to the people of the Republic of Korea the sources and purposes of such supplies.

6. With reference to the assistance furnished under this Agreement which is to be distributed free of charge for the relief of the people of Korea, to insure that the special needs of refugees and other distressed groups of the population are alleviated without discrimination through appropriate public welfare programs.

7. With reference to assistance furnished under this Agreement which is to be sold:

a. To sell equipment and supplies recommended by the Board, such prices to be those designed to yield the maximum feasible proceeds.

b. To sell equipment and supplies furnished Under this Agreement for cash, unless otherwise recommended by the Board. If the Board should recommend that any such equipment and supplies may be sold to intermediate parties or ultimate users on a credit basis, the amount and duration of such credit shall be no more liberal than that recommended by the Board.

c. To establish and maintain a special account in the Bank of Korea to which will be transferred to the balance now in the "Special United Nations Aid Goods Deposit Account" at the Bank of Korea and to which will be deposited the gross won proceeds of sales of all equipment and supplies (1) furnished under this Agreement or (2) locally procured by expenditure of won funds previously deposited.

d. To use the special account established in c above to the maximum extent possible as a stabilizing device and as an offset to harmful monetary expansion. To this end withdrawals from his account shall be made only upon the recommendation of the Board, only for the following purposes, and only in the following order of priority:

(1) For defraying reasonable local currency costs involved in carrying out the responsibilities of the Unified Command for relief and support of the civilian population of Korea, provided, however that such local currency expenses shall not include won advances to the United Nations Command for its bona fide military expenses or for sale to personnel of the United Nations Command.

(2) For defraying such proportion of the reasonable operating agencies of the Government of the Republic of Korea provided under clause 5 a above as may be recommended by the Board.

(3) The balance remaining in this special account, after withdrawals for the above purposes have been made and after provision has been made for an operating reserve, shall periodically upon the recommendation of the Board be applied against any then existing indebtedness of the Government of the Republic of Korea to the of Korea or to any other financial institution organized under the laws of the Republic of Korea.

8. To prevent the export from the Republic of Korea of any of the equipment or

supplies furnished by the Unified Command or any items of the same or similar character produced locally or otherwise procured, except upon the recommendation of the Board.

9. To make prudent use of its foreign exchange and foreign credit resources and to utilize these resources to the extent necessary first toward stabilization (by prompt importation into Korea of salable essential commodities) and then toward revitalization and reconstruction of the economy of Korea. The use of such foreign exchange and foreign credit resources shall be controlled or coordinated as follows:

a. All foreign exchange (both public and private) of the Republic of Korea accruing hereafter from indigenous exports, visible and invisible, except as described in b below, shall be controlled solely by the Government of the Republic of Korea.

b. All foreign exchange (both public and private, and from whatever source acquired) now held by the Republic of Korea and that foreign exchange which, subsequent to the effective date of this Agreement, is derived by the Republic of Korea from any settlement for advances of Korean currency to the United Nations Command shall be used only as recommended by the Board.

c. All foreign exchange described in a and b above shall be coordinated by the Board, in order to integrate the use made of such foreign exchange with the imports included in the Unified Command assistance programs.

10. In order properly to adopt the assistance programs of the Unified Command to the needs of the economy of Korea, and in order to coordinate imports under those programs with imports purchased with foreign exchange, to support the recommendations of the Board in the making of periodic plans for the import and export of commodities and to use such plans as a basis for the issuance of export and import licenses.

11. In order to make most effective use of the foreign exchange resources of the Government of the Republic of Korea in stabilizing the Korean economy:

a. To maximize the won proceeds from the sale of such exchange or from the sale of imports derived from such exchange.

b. To apply such proceeds first against any existing overdrafts of the Government of the Republic of Korea upon the Bank of Korea, except as otherwise recommended by the Board.

c. To hold or spend the balance of such won proceeds with due regard to effect of such action on the total money supply.

12. To provide logistic support to the armed forces of the Republic of Korea to the maximum extent feasible and to furnish to the United Nations Command timely information concerning the details of this support in order to permit coordinated budgetary planning.

13. To grant to individuals and agencies of the Unified Command, except Korean nationals, such privileges, immunities, and facilities as are necessary for the fulfillment of their function within the Republic of Korea under the above cited resolutions of the United Nations, or as have been heretofore granted by agreement, arrangement or understanding or as may be agreed upon formally or informally hereafter by the parties or their agencies.

14. To insure that funds, equipment, supplies and services provided by the Unified Command or derived therefrom shall not be subject to garnishment, attachment, seizure, or other legal process by any person, firm, agency, corporation, organization or government, except upon recommendation of the Board.

Article 4

Transfer

1. The parties recognize that all or any portion of the responsibilities of the Unified Command may be assumed from time to time by another agency or agencies of the United Nations. Prior to such transfer, the parties shall consult together concerning any modification in this Agreement which may be required thereby.

2. It is the current expectation of the parties that the United Nations Korean Reconstruction Agency (UNKRA), established by resolution of the General Assembly of the United Nations of December 1, 1950, will assume responsibility for all United Nations relief and rehabilitation activities for Korea at the termination of a period of 180 days following the cessation of hostilities in Korea, as determined by the Unified Command, unless it is determined by the Unified Command, consultation with the Agent General of the United Nations Korean Reconstruction Agency, that military operations do not so permit at that time, or

unless an earlier transfer of responsibility is agreed upon.

Article 5

Existing Agreements

This agreement does not supersede in whole or in part any existing agreement between the parties hereto.

Article 6

Registration, Effective Date, and Termination

1. This Agreement shall be registered with the Secretary General of the United Nations in compliance with the provisions of Article 102 of the Charter of the United Nations.

2. This Agreement shall enter into operation and effect immediately upon signature hereto. This agreement shall remain in force so long as the Unified Command continues in existence and retains responsibilities hereunder, unless earlier terminated by agreement between the parties.

Done in duplicate in the Korean and English languages, at Pusan, Korea, on this 24th day of May 1952. The Korean and English texts shall have equal force, but in the case of divergence, the English text shall prevail.

IN WITNESS WHEREOF, the respective Representatives, authorized for the purpose, have signed the present Agreement.

THE GOVERNMENT OF THE REPUBLIC OF KOREA:

Paik Too Chin

Minister of Finance

THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

Clareace E. Meyer

Minister and Special

Representative of the President of the United States

NOTE OF AGREEMENT ON ECONOMIC COORDINATION
BETWEEN THE REPUBLIC OF KOREA AND
THE UNITED NATIONS COMMAND

May 24, 1952

Excellency:

1. I have the honor to refer to the Agreement on Economic Coordination between the Republic of Korea and the United States of America executed this date at Pusan, Korea; to the Agreement between the United States of America and the Republic of Korea Regarding Expenditures by Forces under command of the Commanding General of the Armed Forces of Member States of the United Nations (July 28, 1950, Financial Agreement) executed at Taegu, Korea, July 28, 1950; and to the Agreement on Aid between the United States of America and the Republic of Korea signed at Seoul, Korea, December 10, 1948.

2. It is the understanding of the Government of the United States of America that the provisions of the December 10, 1948, Agreement on Aid referred to above, which relate to consultation with and concurrence of the United States Aid Representative in the allocation and expenditure of foreign exchange, are inconsistent with the Agreement on Economic Coordination, referred to above, and it is agreeable to the Government of the United States of America that such former inconsistent provisions be regarded as superseded.

3. I now have the honor to inform you that the Government of the United States of America is prepared, conditioned upon acceptance by the Government of the Republic of Korea of the proposals, contained in paragraphs 4 and 5 below:

a. To make prompt, full and final settlement with the Government of the Republic of Korea, at the conversion rate at which sold, for all Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, referred to above, which has been sold by the United Nations Command prior to May 1, 1952, to

personnel of the forces of the United States of America, insofar as settlement has not yet been made; and

b. To make prompt, full and final settlement with the Government of the Republic of Korea, at a conversion rate of 6,000 won per United States dollar, for all Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, which has been used by the United States of America for its bona fide Military expenditures subsequent to December 31, 1951, and prior to June 1, 1952; and

c. Contingent upon continuation of reasonable efforts on the part of your Government to achieve economic and financial stability in accordance with the provisions of the Agreement on Coordination:

(1) Subsequent to May 31, 1952, to pay to the Government of the Republic of Korea the sum of \$4,000,000 per month on account to be applied in settlement for Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, used for bona fide Military requirements of the forces of the United States of America, such amount to be subject of revision upon material change in volume of won drawings or other factors: and

(2) As Subsequent to April 31, 1952, to pay to the Government of the Republic of Korea monthly, within sixty (60) days of the month in which sold, at the conversion rate at which sold, a sum equal to the amount of Korean currency sold in such month by the United Nations Command to personnel of the forces of the United States of America; and

(3) As soon as practicable after March 31, 1953, to make full and final settlement with the Government of the Republic of Korea for all Korean currency, advanced under the terms of the July 28, 1950, Financial Agreement, used by the United States of America for bona fide Military requirements subsequent to May 31, 1952, and prior to April 1, 1953: and to make similar full and final settlement after each subsequent thirty-first day of March for Korean currency, so advanced used by the United States of America for bona fide military expenditures in twelve-months periods subsequent to March 31, 1953. In the full and final settlements to be made under this numbered sub-paragraph, the United States will determine realistic conversion rates for the ten-months or twelve-months period for which settlement is made, taking into account changes in all relevant factors since the conversion rate used for the preceding period was first established. Suitable consultations between the United States of America and the Republic of Korea

will be initiated as early as practicable before any change in the conversion rate is announced.

4. It is proposed that in all settlements for bona fide military requirements, provided for in paragraph 3, above, the amount of such bona fide military requirements of the forces of the United States of America shall be, for the purposes of such settlements ninety per cent (90%) of the total amount of Korea currency, advanced under the July 28, 1950 Financial Agreement, which was used, in the period for which settlement is made, by the United States of America for all purposes other than for sale to personnel of the forces of the United Nations Command. The remaining ten per cent (10%) of such total amount shall be regarded for all purposes by the United States of America and the Republic of Korea as being won disbursements made to cover indigenous cost on projects of benefit solely to the Republic of Korea and as having been properly expended as a contribution of the Republic of Korea to the combined effort in Korea.

5. In order to facilitate stabilization of the Korean economy, it is proposed:

- a. That all advances of Korea currency made heretofore or hereafter by the Government of the Republic of Korea under the July 28, 1950, Financial Agreement be assumed by the Government of the Republic of Korea as an overdraft of the Government of the Republic of Korea at the Bank of Korea; and
- b. That foreign exchange or other foreign credit received by the Government of the Republic of Korea a payment hereunder be used in accordance with the provisions of Article III, Clause 9 of the Agreement Economic Coordination; and
- c. That the proceeds derived from the sale of such foreign exchange or foreign credit and from the sale of imports derived from such exchange be applied against any then-existing overdrafts of the Government of the Republic of Korea upon the Bank of Korea; and
- d. That the special account established pursuant to Article 1 of the Initial Financial and Property Settlement between the Government of the Republic of Korea and the Government of the United States of America dated September 11, 1948, be applied against existing overdrafts of the Government of the Republic of Korea at the Bank of Korea; and
- e. That the counterpart fund, the aid supplies account, and related funds and accounts, established pursuant to the December 10, 1948, Agreement on Aid or

resulting from that Agreement or from the sale of goods provided under that Agreement. And the proceeds of further sales of goods provided under that Agreement, be applied first against the Aid Supplies Overdraft of the Government of the Republic of Korea at the Bank of Korea and then against other existing overdrafts of the Government of the Republic of Korea at the Bank of Korea.

6. It is the understanding of the Government of the United States that settlements specified above are without prejudice to the settlement of any other claims arising from the provision and use of currency and credits under the July 28, 1950, Financial Agreement, for periods prior to January 1, 1952, insofar as such settlement has not heretofore been made.

Accept, Excellency, the assurance of my highest consideration.

Minister and special Representative of th President

of the United States of America

The Honorable, PAEK Tu Chin

Minister of Finance

Republic of Korea

May 24, 1952

Excellency:

I have honor to refer to your note of May 24, 1952 in which you inform me that the Government of the United States is prepared, upon the acceptance of my Government of certain proposals contained therein, to make certain final settlement and certain interim and partial settlement, in terms detailed therein, for Korean currency advanced under the terms of the Agreement between the United States of America and the Republic of Korea Regarding Expenditures by Forces under command of the Commanding General of the Armed Forces of Member States of the United Nations (July 28, 1950, Financial Agreement) executed at Taegu, Korea, July 28, 1950.

I now have the honor to inform you that my Government agrees to the several proposals and understanding which were contained in your note and also agrees to regard the provisions of the December 10, 1948 Agreement on Aid, mentioned

as inconsistent with the Economic Coordination Agreement of this date, as superseded.

It is my understanding that the present exchange of notes is regarded as constituting an Agreement between the two Governments to which effect shall be given as of this date.

Accept, Excellency, the assurance of my highest consideration.

Minister of Finance, Republic of Korea

The Honorable Carence E. Meyer
Minister and special Representative of the
President of the United States of America