

No. 3635

**UNITED STATES OF AMERICA
and
KOREA**

**Agreed Minute (with appendix) relating to military and
economic aid. Dated at Seoul, on 17 November 1954
Amendment to the above-mentioned Agreed Minute.
Signed at Washington, on 12 August 1955**

Official text: English.

Registered by the United States of America on 18 December 1956.

**ÉTATS-UNIS D'AMÉRIQUE
et
CORÉE**

**Procès-verbal approuvé (avec annexe) relatif à l'aide
militaire et économique. Daté de Séoul, le 17 novembre
1954
Amendement au Procès-verbal approuvé susmentionné.
Signé à Washington, le 12 août 1955**

Texte officiel anglais.

Enregistré par les États-Unis d'Amérique le 18 décembre 1956.

No. 3635. AGREED MINUTE¹ BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF KOREA RELATING TO MILITARY AND ECONOMIC AID. DATED AT SEOUL, ON 17 NOVEMBER 1954

AGREED MINUTE BETWEEN THE GOVERNMENTS OF THE UNITED STATES AND THE REPUBLIC OF KOREA BASED ON THE CONFERENCES HELD BETWEEN PRESIDENT EISENHOWER, AND PRESIDENT RHEE AND THEIR ADVISERS IN WASHINGTON, JULY 27-30, 1954 AND SUBSEQUENT DISCUSSIONS BETWEEN REPRESENTATIVES OF THE TWO GOVERNMENTS

It is in the mutual interest of the United States and the Republic of Korea to continue the close cooperation which has proved mutually beneficial and has played such an important part in the free world's struggle against Communist aggression and its determination to remain free.

Accordingly,

It is the intention and policy of the Republic of Korea to :

1. Cooperate with the United States in its efforts to unify Korea, including possible efforts through the United Nations to secure this objective
2. Retain Republic of Korea forces under the operational control of the United Nations Command while that Command has responsibilities for the defense of the Republic of Korea, unless after consultation it is agreed that our mutual and individual interest would best be served by a change;
3. Accept the force levels and principles set forth in Appendix B² which will permit the maintenance of an effective military program consistent with economic stability and within available resources;
4. Continue to encourage private ownership of investment projects;

¹ Came into force on 17 April 1954 by initialling thereof.

² Not printed by the Department of State of the United States of America.

5. Cooperate in procedures for administration of United States aid funds consistent with United States legislation and the practices applied generally in such programs;

6. Take the necessary measures to make the economic program effective, including those set forth in Appendix A.¹

Based upon the conditions which the Republic of Korea declares it will create, it is the intention and policy of the United States to :

1. Continue its program of helping to strengthen the Republic of Korea politically, economically and militarily, with programmed economic aid and direct military assistance furnished during Fiscal Year 1955 to aggregate up to \$700 million. This amount would exceed by more than \$100 million the amount of assistance previously contemplated by the United States for Korea in Fiscal Year 1955. Of this total, programmed economic aid, including the CRIK carry-over and the United States contribution to UNKRA, available for obligation in Fiscal Year 1955 would amount to approximately \$280 million (actual expenditures in Fiscal Year 1955 are estimated at approximately \$250 million);

2. Support a strengthened Republic of Korea military establishment as outlined in Appendix B, including the development of a reserve system, in accordance with arrangements to be worked out by appropriate military representatives of the two Governments;

3. Consult fully with appropriate military representatives of the Republic of Korea in the implementation of the program for support of the Republic of Korea military establishment;

4. In the event of an unprovoked attack upon the Republic of Korea, to employ, in accordance with its constitutional processes, its military power against the aggressor;

5. Subject to the necessary Congressional authorizations, continue to press forward with the economic program for the rehabilitation of Korea.

Y. T. PYUN

Minister for Foreign Affairs
of the Republic of Korea

Ellis O. BRIGGS

Ambassador of the United States of
America to the Republic of Korea

Seoul, Korea, November 17, 1954

¹ See p. 256 of this volume.

APPENDIX A

MEASURES FOR AN EFFECTIVE ECONOMIC PROGRAM

The Republic of Korea will undertake the necessary measures to make the economic program effective, including :

1. With respect to exchange rates, the official rate of the Republic of Korea Government and the counterpart rate being 180 to 1, agreement to procedures as proposed by the United States for the conversion of dollars at a different and realistic exchange rate to cover hwan drawings of United States forces by sale of dollars through the Bank of Korea, and generally to price aid goods into the Korean economy at a similar rate, thereby providing for the maximum contribution to the Korean economy and to the Korean budget from the use of these resources. The operation of existing agreements with respect to hwan drawings by the United States will be suspended so long as the foregoing arrangements work out in practice to the mutual satisfaction of both Governments;

2. Agreement that material for the aid program—not furnished from the United States in kind—will be procured wherever in non-Communist countries goods of the required quality can be obtained at the best price (it being the objective to perform the maximum possible procurement in Korea at competitive world prices);

3. Provision of adequate information to the appropriate United States representatives concerning Korean plans for the use of their own foreign exchange; and

4. A realistic effort to balance its budget and continue to resist inflation (it will be the objective of both Governments to develop the budget of the Republic of Korea in a manner that will resist inflation).

Y. T. P.

E. O. B.

AMENDMENT¹ TO THE AGREED MINUTE OF 17 NOVEMBER 1954² BETWEEN THE UNITED STATES OF AMERICA AND THE REPUBLIC OF KOREA RELATING TO MILITARY AND ECONOMIC AID. SIGNED AT WASHINGTON, ON 12 AUGUST 1955

Effective August 15, 1955, paragraph 1 of Appendix A of the Agreed Minute between the Governments of the United States of America and the Republic of Korea signed November 17, 1954² is amended as follows :

The official exchange rate of 500 hwan to 1 United States dollar which is to be established by the Republic of Korea on August 15, 1955 as the rate for all foreign exchange transactions of the Government of the Republic of Korea and its agencies, will be applicable to United States aid furnished for the importation of goods and services into Korea except the following : (a) coal of United States origin which will be priced during the fiscal year ending June 30, 1956 at a rate not less than 40 percent of the official rate; (b) fertilizer which will be priced immediately at a rate not less than 50 percent of the official rate, to be increased to the official rate not later than January 1, 1956; (c) investment type commodities for non-revenue producing projects; and (d) relief supplies. Investment type commodities for revenue producing projects will be priced at the official rate unless the Combined Economic Board recommends a reduction either through differential exchange rates or subsidies.

The official rate will apply to purchases of hwan by the United States Forces in Korea.

The Government of the United States of America will cooperate with the Government of the Republic of Korea in its efforts to develop a stabilized economic situation in Korea within the limits of resources made available for this purpose. In this regard both Governments will pay particular attention to the objectives of expeditious action leading to the speedy implementation of the aid program.

Arrangements existing prior to the effective date of this amendment to Appendix A of the Agreed Minute of November 17, 1954 with respect to acquisition of hwan by the United States including those arrangements authorized by

¹ Came into force on 12 August 1955 by signature.

² See p. 252 of this volume.

the original paragraph 1 of Appendix A of the said Agreed Minute will be suspended as long as the foregoing arrangements work out in practice to the mutual satisfaction of both Governments.

For the Government of the United States of America :
Walter S. ROBERTSON

For the Government of the Republic of Korea :
YOU CHAN YANG

Washington, D. C., August 12, 1955