ECONOMIC COOPERATION ADMINISTRATION

PD-ACC-398

BUDGET ESTIMATE JUSTIFICATION

Funds Appropriated to the President

ASSISTANCE TO THE REPUBLIC OF KOREA

FISCAL YEAR 1951

MARCH 3, 1950

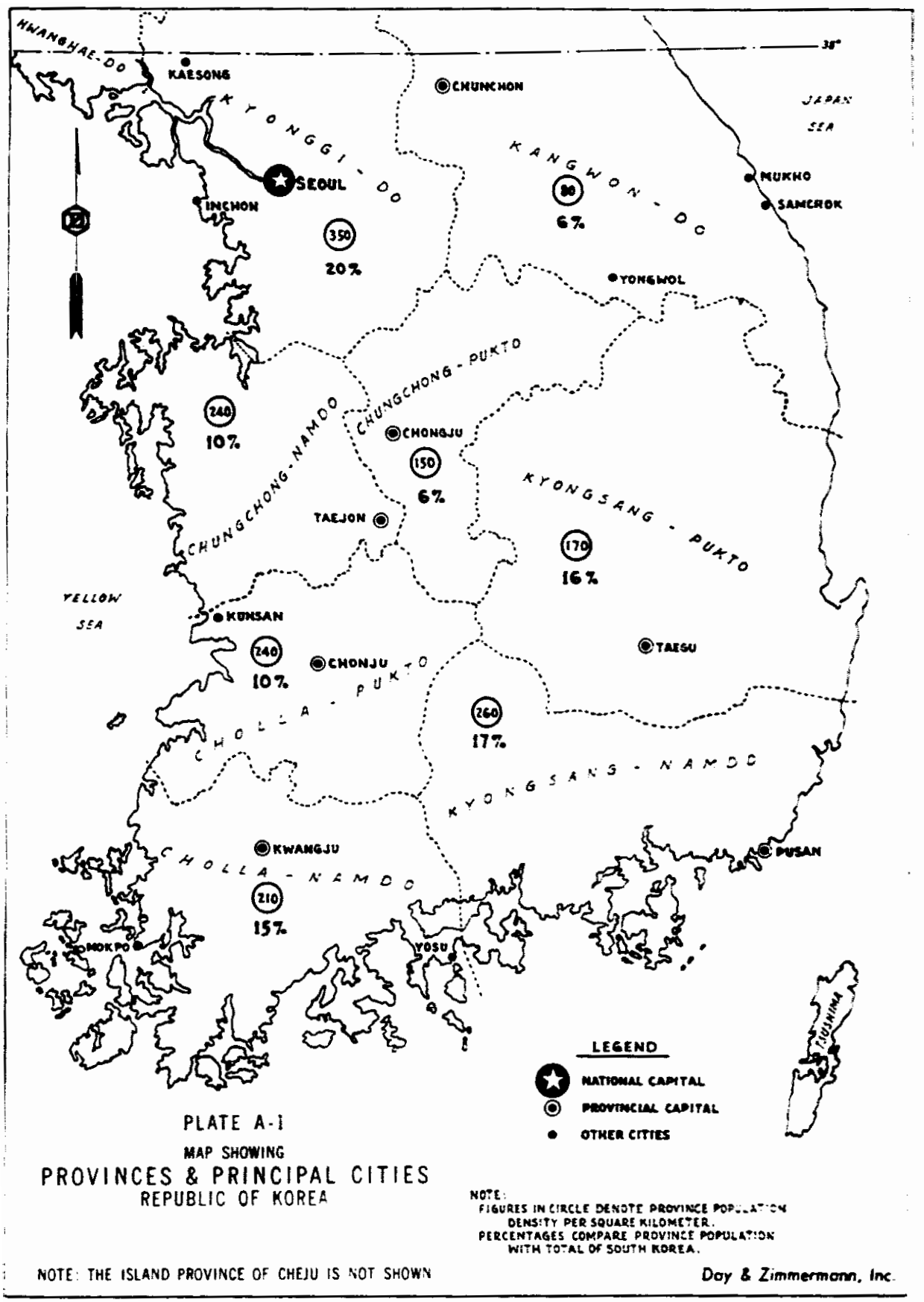


PLATE A-1

MAP SHOWING

PROVINCES & PRINCIPAL CITIES
REPUBLIC OF KOREA

NOTE:
FIGURES IN CIRCLE DENOTE PROVINCE POPULATION DENSITY PER SQUARE KILOMETER.
PERCENTAGES COMPARE PROVINCE POPULATION WITH TOTAL OF SOUTH KOREA.

NOTE: THE ISLAND PROVINCE OF CHEJU IS NOT SHOWN

Day & Zimmermann, Inc.

BUDGET ESTIMATE JUSTIFICATION

INDEX

PART I

INTRODUCTION

1. Basic Policy - The firm position which the United States has taken in asserting the right to independence and unity and the interests of the foreign policy of the United States in the Far East make it a matter of great importance to the United States that it continue to provide economic assistance to Korea. The objectives of this assistance are to facilitate the maintenance of political independence, the achievement of economic stability and the eventual unification of the country as a single democratic state. The aid program which is best calculated to accomplish these objectives at minimum total cost to the United States is one which will provide for economic development over a three-year period (fiscal years 1950/52 inclusive) by means of capital expenditures as well as essential relief and rehabilitation supplies. The program for economic development was launched in fiscal year 1950.

2. Aid Program for 1951 - The program for fiscal year 1951 recommended by the Economic Cooperation Administration is for $100,000,000. The proposed fiscal year 1951 program by major objects, compared with the program planned for fiscal year 1950 is as follows:

COMPARISON OF THE FY 1950 & FY 1951 PROGRAMS BY PROJECTS
(C&F)

	Estimated FY 1950	FY 1951	Increase or Decrease
Feed	$ 119,000	$ None	$ - 119,000
Fertilizer	32,462,870	42,223,600	+ 9,760,730
Petroleum Products	7,242,930	4,670,000	- 2,572,930
Medical Supplies	310,000	None	- 310,000
Raw Materials	34,250,200	19,292,400	- 14,957,800
Industrial Equipment	3,782,000	2,565,000	- 1,217,000
Recovery Projects	19,650,000	25,285,000	+ 5,635,000
Surveys and Contracts	1,950,000	1,625,000	- 325,000
Technical Assistance	3,747,000	2,779,000	- 968,000
Administration	1,650,000	1,500,000	- 150,000
Ocean Freight	4,776,000	None	- 4,776,000
Transportation on Relief Packages	60,000	60,000	None
Totals	$ 110,000,000	$ 100,000,000	$ - 10,000,000

PART II

SUMMARY STATEMENT

1. Major Objectives of the Program

The United States aid program is designed to further United States objectives in Korea. The program for fiscal year 1951 is in furtherance of a three-year, long-range program of economic development to increase production, reduce the need for imports, augment exports and improve the standard of living. Assuming assistance to the Republic of Korea in fiscal year 1950 at the level requested, the program for 1951 is designed for the attainment of the objectives by the continuance of raw material and fertilizer imports, and by the provision of funds for certain recovery projects.

The program is based on the premise that there will be no immediate change in the division of the country at the 38° parallel, and that trade between the two areas is precluded. A further assumption is that a three-year period is the minimum time that will be required for a program of economic development.

2. Aims of the Program

The program is to provide for the economic development of the country through capital expenditures as well as for essential relief and rehabilitation. The program aims to strike a balance on the one hand between the provision of supplies to support the economy, and keep industry going, and on the other hand expenditures for capital projects to make the provision of further assistance unnecessary.

The basic economic aims of the program are to:

(1) Continue development of coal and electric power.

(2) Increase agricultural production with the aim of producing an export surplus of cereals while maintaining the standard of living. The fertilizer program for fiscal

year 1951 is planned to provide sufficient food to make possible the export of 425,000 metric tons of rice in fiscal year 1952. During 1951, agricultural exports, principally rice, are expected to amount in value to about two-thirds of Korean exports.

(3) Develop the fisheries industry to maximize the exportable surplus of marine products. Fish exports are a principal source of foreign exchange.

(4) Provide raw and semi-finished materials for the operation of essential industry and for the maintenance, improvement and development of transportation facilities, and for the more effective utilization of indigenous products such as coal.

(5) Furnish the textile industry with cotton and raw materials adequate to meet the minimum requirements for domestic consumption.

(6) Furnish capital goods and equipment for the production of goods which will reduce imports of necessities or will increase exports.

(7) Assist in the training of Korean technicians and specialists for work in the fields directly related to the recovery effort.

(8) Assist the Government of Korea, and its operating personnel, in the formulation and development of policies and administrative arrangements necessary for the efficient utilization of United States economic aid.

(9) Attain a balance of payments by 1953 which will permit the Republic to finance any deficits by private investments or by international loans.

3. Major Categories of Aid

For summary discussion purposes the estimate of appropriated funds is reflected in the following breakdown of categories of aid:

MAJOR CATEGORIES OF AID

Grants for Recovery Imports	Estimated FY 1950	Estimated FY 1951
(a) Food	$ 119,000	$ none
(b) Fertilizer	32,462,870	42,223,600
(c) Petroleum Products	7,242,930	4,670,000
(d) Medical Supplies	310,000	none
(e) Raw Materials	34,250,200	19,292,400
(f) Industrial Equipment	3,782,000	2,565,000
(g) Recovery Projects	19,650,000	25,285,000
(h) Surveys and Contracts	1,950,000	1,625,000
(i) Ocean Freight	4,776,000	none
(j) Transportation of Relief Packages	60,000	60,000
Technical Assistance	3,747,000	2,779,000
Administration	1,650,000	1,500,000
Total	$ 110,000,000	$ 100,000,000

A brief discussion of each category of aid follows:

Grants for Recovery Imports

(a) Food - No food is programmed with United States assistance for fiscal year 1951, as Korean production of foodstuffs is estimated to be sufficient not only to meet domestic needs but to provide a surplus for export.

(b) Fertilizer - The fertilizer import requirements are designed to increase agricultural production to maintain the standard of living and provide sufficient food to make possible the export of 425,000 metric tons of rice in fiscal year 1952. The export of rice is the principal means by which Korea earns foreign exchange, and the Government of the Republic of Korea has been informed that a prerequisite to continuance of United States aid is improvement in the balance of payments position through rice exports.

(c) Petroleum Products - Requested funds represent a reduction of about 45 per cent from estimated expenditure for petroleum products in fiscal year 1950. The Government of the Republic of Korea will finance all gasoline purchases out of foreign exchange earnings, leaving kerosene, oils, lubricants, and grease in the aid program.

(d) Medical Supplies - Following the policy of turning over the financing of necessary imports to the Government as rapidly as possible, it has been agreed that medical supplies will be deleted from the fiscal year 1951 program.

(e) Raw Materials - The amount allocated to this category of aid has been reduced from fiscal year 1950 allocations by about $15 million. The cutback is most marked in the case of cotton and cotton yarn, chemicals, lumber, and iron and steel products. Here again it has been felt that the Government will be in a position to take over some of the necessary financing.

The raw materials category includes a wide variety of construction materials, chemicals, and other materials for processing, such as raw cotton, manila fibre, crude rubber, iron and steel products and non-ferrous metals. Other materials will contribute to the maintenance of plants and essential services and provide the raw materials for the numerous small industries in South Korea. Major emphasis has been placed wherever possible by the government and the Mission on programming raw materials rather than processed materials, so as to assure maximum utilization of Korean facilities.

(f) Industrial Equipment - This category of aid consists of mining equipment and repair and replacement parts, electrical repair and replacement parts, equipment for the

ship repair base at Pusan, and iron and steel products such as steel rail, pipe and boiler tubes. This equipment will contribute to the repair, and, in some cases, expansion of existing facilities. For these purposes, however, about a 30 per cent smaller request is being made than in fiscal year 1950.

(g) Recovery Projects - The proposed construction projects involving capital expenditures are essential to accomplish the economic recovery of Korea by 1953. They involve construction of bridges, transportation facilities, irrigation facilities, flood-control projects, electric power facilities, cement and fertilizer production facilities, fishing and coal carrying vessels, mining equipment, and industrial machinery. In addition to capital expenditure for projects, provision has been made for supplies for deferred maintenance and replacement of worn-out facilities. It must be emphasized that Korea in common with most other countries emerged from the war period with a badly depleted physical plant and a backlog of demand for producer goods. Since the recovery projects are the key to the solution of the economic problem in Korea, and since a considerable amount of pre-engineering work is being accomplished under the fiscal year 1950 program, planned allocations for this category in fiscal year 1951 are approximately the same as in fiscal year 1950. The general purposes and character of these projects are discussed briefly here.

Coal, electric power and fertilizer are the three most important factors in the rehabilitation of the Korean economy. Through capital expenditures for mining equipment, it is planned to continue development begun in fiscal year 1950 of new anthracite coal fields in the Hambaik-Samchok area in the eastern part of Korea. This area is believed to have reserves of more than 200 million metric tons. Expenditures for mining equipment and mine development, utilizing the results of geological surveys, will be required to obtain the coal output necessary for industrial recovery, and to maximize utilization of indigenous coal in lieu of present imports, Coal-carrying equipment is needed to transport coal from the Samchok mining area to the major port and rail head (Pusan), located at the southern tip of the peninsula. Concurrently, with the increase of anthracite coal production, expansion of electric power facilities started in fiscal year 1950 will be continued with the construction of a new thermal electric plant at Samchok, utilizing both Korean and American construction materials. The cut-off of power from North Korea on

May 14, 1948, by the Soviets and the improbability that the country will be united or that power transmission from North Korea will be resumed has made it necessary to develop more power resources in South Korea. In addition to the thermal electric plant mentioned above, it is planned to repair and complete existing thermal and hydroelectric facilities. The construction of a plant for the production of nitrogen fertilizer, begun in fiscal year 1950, will be carried forward. The plant will produce fertilizer now being imported to maintain the fertility of the Korean soil.

It is proposed to continue the program of bridge construction started in fiscal year 1950. Bridges are needed in the mountainous Korean countryside in order to provide passage over the many streams, particularly during the period of spring floods and the summar rainy season. The railroad construction planned is to complete a link between the already existing lines of the western central portion of the country with the Samchok industrial area on the east coast. The proposed railroad lines will also open up new areas for exploitation of coal, ore and lumber resources. The funds requested for irrigation are designed to expand the area of ricelands under controlled irrigation. Flood control projects have the objective of decreasing the heavy annual loss which Korean agriculture suffers from floods. In terms of the rice crop alone, this loss averages over 160,000 metric tons annually.

With respect to the fishing industry, it is proposed to continue the program begun in fiscal year 1950 to provide fishing vessels for the development of offshore fishing. Before the war, Korea ranked sixth in the fishing nations of the world. Production during the war and during the occupation was extremely low, mainly because of a shortage of boats and fishing gear. If the fishing industry can be built up, a valuable source of foreign exchange and food for internal consumption will be provided. The Koreans are skilled fishermen and can use the boats and gear which have been requested without special training.

The construction of a cement plant is needed in order to enable South Korea to produce locally the large quantities of cement needed for normal requirements and for construction projects and for irrigation purposes. This plant will result in substantial savings of foreign exchange which would otherwise have to be expended for necessary cement imports.

The rehabilitation program described in this document involves, in addition to economic assistance from the United States, extensive use by the Korean Government of indigenous raw materials, fabricated products, and labor. The Korean people have been called upon to help themselves to the maximum extent possible in developing and stabilizing their economy and government. In the Aid Agreement between the United States and Korea, signed on December 10, 1948, the Korean Government agreed to exert all possible efforts to assure maximum production, collection and equitable distribution of locally-produced supplies and to make the most effective use of Korean resources possible.

(h) Surveys and Contracts - It is proposed to undertake development of construction projects by letting supervisory contracts to private American firms. As a first step in this process, the Economic Cooperation Administration, at the request of the Korean Government, selected an American contractor to conduct an industrial survey of South Korea in order to make a complete analysis of Korean industry and to determine the engineering feasibility and need for certain construction projects. The Korean Government paid all the expenses in connection with this industrial survey. The recommendations concerning industrial rehabilitation and the selection of construction projects for the fiscal year 1950 and the proposed fiscal year 1951 programs are largely based on this survey.

Contracts have been undertaken to carry out such projects as the operation of the two electric power ships, the receipt and storage of petroleum products, and certain shipping activities such as the coastwise fleet and the ship repair basin. In general, contracts are being made to obtain expert management to complement the work of the Korean Government and the Mission Staff. Whenever contracts are arranged it is the policy to integrate training programs as part of the work of the contracting agencies so that Koreans can be trained to take over the activities as soon as possible.

(i) Ocean Freight - Ocean freight charges are included in the estimated costs of the various categories of the program with the exception of (j) below. It is estimated that shipping costs for fiscal year 1951 aid goods will total approximately $19,400,000.

(j) Transportation of Relief Packages - These funds are to cover costs of shipping packages sent by authorized relief agencies and individuals.

Technical Assistance

From the standpoint of promoting economic recovery, a technical assistance program is of key importance in South Korea. The cumulative effect of funds expended for this purpose will result in increased prosperity within Korea, in industry, agriculture, fishing, and other activities which play an important part in the economic recovery of the country. The Technical Assistance Program is designed to assist in developing an import-export program, in determining requirements and export availabilities, in developing export industries, in increasing agricultural and industrial output, in maintaining essential services such as transportation and communications, in improving administration, and in effecting financial reforms needed to stabilize the economy. The basic function of the Technical Assistance staff will be to assist in the training of Koreans in technical and agricultural skills. The Technological Training Division will specialize in this type of work and the major portion of the training of Koreans will be carried out in Korea.

During the forty years that Korea was under Japanese rule, the majority of positions involving technical and administrative responsibility were in Japanese hands. Because of Korean objection to the continued presence of Japanese nationals in Korea, the United States Army Forces in Korea at the time of occupation repatriated all the Japanese in Korea. Since Korean business and industry was thereby stripped of technicians and administrators, the United States is necessarily being called upon to provide far more assistance and guidance to the Korean Government than is the case with any of the European Recovery Program countries. Some of the factors which serve to explain the staffing requirements of the Economic Cooperation Administration Mission are: (1) The recent establishment of the Korean Government and the problems of organization facing it; (2) the fact that over eighty per cent of the former vested Japanese industrial properties in Korea were turned over to the government which is now responsible for their operation pending transfer to private interests and quasi-governmental corporations, which is now in progress; (3) the deficiency of Korean private businessmen in any degree of import-export "know-how"; (4) the lack of trained technicians and managers in Korean industry, mining, transportation and communications; and (5) the relative inexperience of the Korean agencies established to work on planning, requirements and purchasing.

Measurable progress has been achieved in this activity during fiscal year 1950. The general level of Korean technical skills has been substantially raised as is evidenced by increased overall production, better quality of output, and improved efficiency. Koreans in many fields have assumed

new and greater responsibilities. As a result of this progress it is possible to reduce the staffing requirements for the technical assistance group to a total of 144 American employees at the beginning of the year. Further reductions are planned as the level of competence among Koreans is raised so that by January 1, 1951 a staff of only 120 Americans will be required.

Administration

An "overhead" or administrative staff of fifty-six American employees is required in Korea to begin the fiscal year. Training of Koreans to assume certain non-policy duties as well as reduction of the technical assistance group will enable this overhead staff to be reduced to fifty by January 1, 1951. A small staff of twenty-one employees is employed in Washington, D. C. The organization chart, contained in the detailed justification which follows, illustrates the manner in which it is planned to reorganize the administrative staff of the Mission. The major function of the Chief of Mission is to assure the performance within the country of operations under authorizing legislation. Other important functions are development of the recovery program prepared in cooperation with the Korean Government, and assistance to the Republic of Korea in the formulation and development of policies and administrative arrangements necessary for the efficient utilization of United States economic aid.

4. Sources of Supply

Commodities, materials, supplies and equipment to be financed with United States appropriated funds will be procured both in the United States and in certain offshore areas. Sources of supply will be determined in accordance with rules and regulations governing such procurement. In preparing the appropriation estimate, the usual economic factors of prices and availability were taken into account. The location of Korea makes ocean transportation charges of considerable importance and makes it costly to attempt procurement from the ERP countries. The bulk of non-United States procurement, therefore, will tend to be from the Far East, particularly from Japan.

5. Assurance of Efficient Use of United States Assistance

The United States and the Republic of Korea have signed an aid agreement similar to the bilateral agreements between the United States and European countries in order to assure the efficient use of United States economic assistance to South Korea. The Government of the Republic of Korea has

agreed to make effective use of aid furnished by the United States. The Government made periodic allocations of foreign exchange by categories of use in consultation with and with the concurrence of the United States ECA Mission and has made expenditures in accordance with such allocations. The Korean Government has, moreover, established an operating agency to develop and administer the program for supplies obtained under this agreement. The Government of the Republic of Korea places in a special "counterpart fund" local currency in amounts equivalent to the dollar value of United States aid supplies. A small part of these funds are used to pay the local administrative and other necessary ECA Mission expenses payable with local currency. The subsequent sale of these aid goods, by reducing the quantity of won in circulation, has a deflationary effect on the economy. The Government of the Republic of Korea has agreed to prohibit the re-export of goods provided by the United States, to mark supplies received so as to indicate that they have been made available by the United States, and to provide the peoples of both the United States and Korea with full information concerning the goods and technical assistance furnished by the Government of the Republic of Korea by the United States. The Government of the Republic of Korea has extended diplomatic privileges and immunities to the ECA Mission in Korea and furnishes all practicable assistance to that Mission.

The Government of the Republic of Korea seeks out the assistance of the Mission in programming imports. In requesting ECA-financed imports, the Government of the Republic of Korea prepares a procurement request specifying the item requested, quantity, and use intended, allocation to be made where determinable, and indicates the availability of local currency financing. These requests are reviewed by the Mission before being submitted to Washington as a basis for the issuance of a procurement authorization. The Mission obtains reports from the Government of the Republic of Korea concerning the distribution of ECA imports. An end-use control system has been established and is now manned by trained Korean personnel so that incoming aid supplies may be rapidly and efficiently distributed. The system also facilitates test-checking by end-use auditors as well as the periodic nationwide inventory taking. The system is also militating against possible speculative hoarding and is ensuring effective utilization of ECA-financed imports.

6. Preparation of the Program

The proposed program was prepared after careful analysis by Korean Government departments, by agencies of the United States Government and by private United States engineering firms of the basic requirements needed to attain the objectives of the program. The operating agencies of the

Korean Government, such as the Ministry of Commerce and Industry, Ministry of Transportation, etc., at the request of the ECA Mission prepared the statement of the import requirements needed to carry on the basic rehabilitation program envisaged. These requirements were screened by the Korean Office of Planning. They were then screened closely by the commodity and industry technicians, the requirements analysts and the program review staff of the ECA Mission in Korea. In Washington, the program was screened to assure that the estimates represented the minimum necessary to achieve the objectives. Participating in the preparation and review, therefore, have been representatives of the Government of the Republic of Korea, the staff of the ECA Mission in Korea, and the staff of the Korea Program Division and the various specialized Divisions of ECA-Washington.

7. Foreign Trade and Exchange

One of the major objectives of the Aid Program is to assist Korea in building up its export trade so that outside help will not be necessary for financing basic imports. The selection of projects for economic development has been made with a view to stimulating exports and minimizing imports.

Historically, foreign trade has played an important role in the economic life of Korea. With drastic decline in export availabilities coincident with division of the country in the postwar period, however, necessary imports have been financed largely through United States Aid. This is a temporary situation. Eventually the Republic of Korea must depend upon foreign exchange generated through exports to finance needed imports. Now that self-sufficiency in food has been attained, attention is directed to maximizing rice exports as a major source of foreign exchange. In fiscal year 1950, 100,000 M/T of rice is being exported. For fiscal year 1951, rice exports totalling 275,000 M/T are anticipated. These figures are not considered unreasonable either by the Republic of Korea representatives or by members of the ECA Mission staff. If sufficient rice for export is not obtained, the Government of the Republic of Korea will be obliged either to curtail its import program or utilize foreign exchange reserves. These reserves, totalling approximately $20,900,000 are the result of certain non-recurrent special payments made by the United States to Korea to cover the value of goods and services provided to United States Military forces by Korea during the period of occupation subsequent to May 1947.

While present imports consist largely of ECA-financed supplies from the United States, Far East trade with Korea has been growing. This is particularly true in the case of Japan. The Japan-Korea Trade Agreement which was signed in March of 1949, reopened in October for the purpose of considering

more effective means of implementation of that agreement, now only awaits promulgation of agreements reached by both parties at the October meeting. The development of trade between Korea and Japan is important to the welfare of both countries. In 1939 Japan took 73 per cent (by value) of Korea's exports and furnished 89 per cent of its imports. Although Korean dependence upon Japan to the extent indicated is not proposed as a goal, expansion of trade between these two complementary economies is mutually advantageous.

It is estimated that in fiscal year 1951 purchases from Japan will total about $55,000,000 of which $34,400,000 will be funded by Korea and $21,000,000 funded by ECA. However, as ECA purchases are made on a sealed bid basis there is no assurance that actual purchases will closely approximate this estimate. Exports to Japan in fiscal year 1951 are estimated at a total of about $34,400,000.

The official exchange rate of the won, the currency of the Republic was ₩ 600 equal $1.00 in December 1949. The official rate is used chiefly for calculating the amount of the deposits which the Government is required to make in the counterpart fund against the dollar value of ECA-financed assistance. It has been agreed between the ECA Mission and the Government that the official exchange rate, for counterpart purposes, will be increased at intervals until a more realistic rate is reached. An auction rate of ₩ 900 equals $1.00 was established in December. Black market quotations for greenbacks were ₩ 3,750 equals $1.00 in January 1950.

There follows, immediately below, tables showing export estimates for the fiscal years 1950/54, and estimated balance of payments data for the same period. The large increase in rice exports estimated for fiscal year 1951 will be noted. This is based on the belief that the application of 80,000 M/T of contained nitrogen, with other fertilizers in proportion, is sufficient to assure the domestic economy of adequate supplies. The entire output of rice produced by nitrogen application in excess of 80,000 M/T, therefore, should be available for export. It is estimated that sufficient additional nitrogen (30,000 M/T, or a total of 110,000 M/T) will be applied to the crop to be harvested in fiscal year 1951 to permit the export of 275,000 M/T. In fiscal year 1952, it is estimated that about 130,000 M/T will be applied to the crop, which would permit the export of 500,000 tons of rice; but a more conservative figure of 425,000 M/T for export has been used in the table of estimates.

The prices used in calculating foreign exchange to be generated from rice exports in fiscal years 1950 and 1951 are believed to be conservative. The Government of the Republic of Korea has recently received and accepted an offer for 100,000 M/T at $140 per ton, as against the $125 per ton figure used in the fiscal year 1950 estimate. The $110 per ton used for the fiscal year 1951 computation allows for a considerable drop from the actual fiscal year 1950 price. Prices used for the estimates in fiscal years 1953 and 1954 are admittedly more doubtful, depending heavily on political developments. Assuming that the "rice bowl" countries again become suppliers of China, however, $100 per ton for fiscal years 1952 and 1953 does not seem unreasonable.

The estimated balance of payments data have been revised since last year to take account of changed conditions. These estimates are portrayed in a simplified form which does not take into account the normal lag in any program which the records indicate may amount to 15 per cent of the import program. It should be noted that administrative expenses are included as part of the Invisible Out-Payments (United States Funding). Other invisible out-payments with United States Funding include ocean freight, technical assistance, survey costs, and necessary operating contracts. Invisible out-payments with Korean funding include ocean freight and government non-commodity expenditures abroad.

It is estimated that Korean exports in fiscal year 1951 will generate a total of $50,600,000 in dollar equivalents, as shown in the balance of payments table. Dollar exchange earnings are estimated at $36,300,000 (of which $1,900,000 will accrue from exports to the United States and $34,400,000 from exports to Japan). Non-dollar exchange earnings are expected to total about $14,300,000 in dollar equivalents, resulting from exports to Hong Kong, South East Asia, United Kingdom, etc.

As indicated in the balance of payments table, United States aid is assumed to terminate at the end of fiscal year 1952. Accordingly, all necessary foreign exchange expenditures thereafter will be the responsibility of the Government of the Republic of Korea. During fiscal year 1953, the estimated deficit in the balance of payments (assuming that the ECA program is carried out) will have been reduced to $15,300,000--with good luck it will be cancelled out.

ESTIMATED VALUE OF EXPORTS
(In Thousands of United States Dollars)

Category	FY 1950	FY 1951	FY 1952	FY 1953	FY 1954
Rice*	12,500	31,000	42,500	45,000	45,000
Other Agricultural	1,298	2,713	3,035	3,315	3,800
Marine Products	8,773	10,998	12,000	13,000	14,000
Minerals - Metals	2,578	4,087	4,200	5,500	7,000
Manufactures and Semi-Manufactures	1,250	1,775	2,000	2,800	3,500
Totals	26,399	50,573	63,735	69,615	73,300
Miscellaneous & Invisibles	1,000	1,200	1,300	1,400	1,500
	27,399	51,773	65,035	71,015	74,800

*Assumes rice exports as follows, in terms of metric tons:

FY 1950 - 100,000 @ $125 per M/T
FY 1951 - 275,000 @ $112 per M/T
FY 1952 - 425,000 @ $100 per M/T
FY 1953 - 450,000 @ $100 per M/T
FY 1954 - 500,000 @ $ 90 per M/T

ESTIMATED BALANCE OF PAYMENTS FOR FISCAL YEARS 1950/54

(In Millions of United States Dollars)

	1950	1951	1952	1953	1954
a. Current Accounts					
1. In-Payments:					
Commodity Exports	26.4	50.6	63.7	69.6	73.3
Invisibles	1.0	1.2	1.3	1.4	1.5
Total In-Payments	27.4	51.8	65.0	71.0	74.8
2. Out-Payments:					
Korean Funding	24.0	45.9	55.5	71.6	68.3
United States Funding	81.0	75.3	63.2	-	-
Total	105.0	121.2	118.7	71.6	68.3
Invisibles:					
Korean Funding	3.4	5.9	9.5	14.7	11.0
United States Funding	29.0	24.7	21.8	-	-
Total	32.4	30.6	31.3	14.7	11.0
Total Out-Payments	137.4	151.8	150.0	86.3	79.3
3. Current Account Deficit	110.0	100.0	85.0	15.3	4.5
b. United States Aid					
Commodity Imports	81.0	75.3	63.2	-	-
Invisible Items	29.0	24.7	21.8	-	-
Total United States Aid	110.0	100.0	85.0	-	-

8. Korean Aid Prior to Fiscal Year 1951

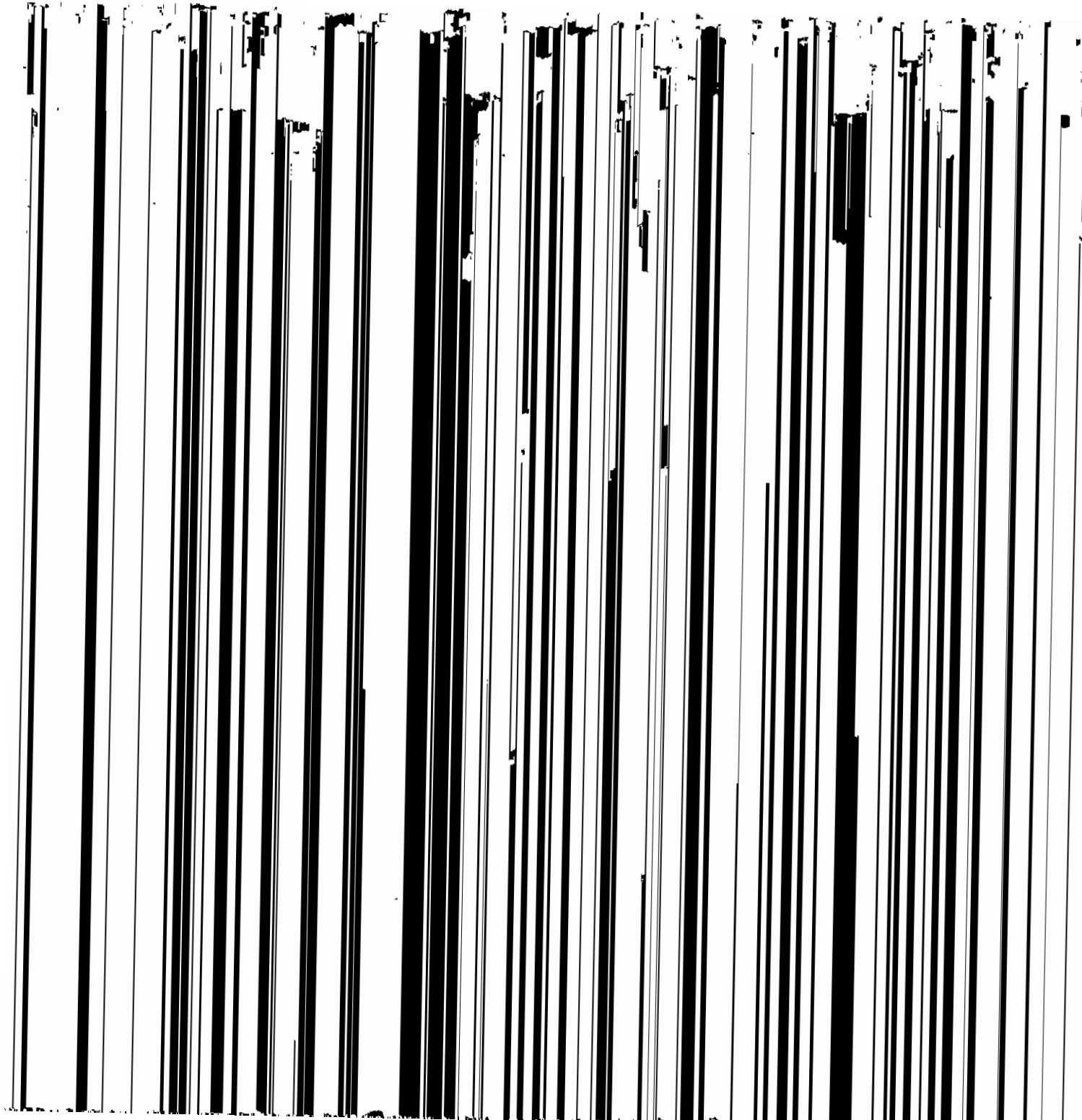
Aid to the Korean people actually began in the autumn of 1945 when the United States Army entered the country. The program was continued by the Department of the Army until January 1, 1949, when the transfer of responsibility was made to ECA by Executive Order. During the first six months of 1949, however, the great bulk of goods shipped to the Republic of Korea was the result of Army procurement and substantial additional commitments were made by the Army in accordance with plans worked out in cooperation with ECA. During this same six months procurement was also begun by ECA, using Army funds, so that this was a transition period from Army control to ECA supervision, with ECA continuing essentially the "Army type" program.

The Army program was essentially one of relief and rehabilitation with, however, a diminishing emphasis on relief and an increasing emphasis on rehabilitation as the years passed. The ECA program is an extension of the movement from pure relief, designed only to prevent "disease and unrest", to a full-fledged policy of rehabilitation, reconstruction, and development calculated to produce a maximum of economic self-sufficiency.

Allocations of funds for assistance to Korea have been estimated as follow:

Fiscal Year	Amount
1946	$ 6,000,000
1947	93,000,000
1948	113,000,000
1949	144,000,000
1950 (Tentative)	110,000,000
Total	$ 466,000,000

The ECA budget estimate for fiscal year 1950, as noted above, is for $110,000,000. Funds were appropriated by Congress up to the end of the First Session of the 81st Congress in the amount of $60,000,000 for assistance to Korea in the period July 1, 1949 to February 15, 1950. The House has approved a supplemental appropriation of $50,000,000 to cover aid in the balance of fiscal



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PART III - DETAILED JUSTIFICATION OF PROGRAM SUBDIVISION ESTIMATES

This section is devoted to a detailed consideration of program estimates which, for purposes of convenience, are grouped into eleven reasonably homogeneous major program subdivisions. Data follow with estimates computed on a delivered basis:

DETAILED ESTIMATES

	Estimate FY 1950		Estimate FY 1951	
	M/T	C&F Cost	M/T	C&F Cost
1. FOOD PRODUCTS				
(a) Fish Oil	300	$119,000		none
Sub-Total	300	$119,000		none
2. FERTILIZERS AND AGRICULTURAL SUPPLIES				
(a) Fertilizer				
Nitrogenous (N)	363,562 (93,940)	$22,723,756	475,000 (130,000)	$29,590,080
Superphosphate (P205)	216,694 (35,214)	7,728,114	289,170 (48,000)	10,250,120
Potash (K20)	25,000 (12,000)	1,355,000	36,000 (18,000)	1,890,000
(b) Pesticides	1,634	656,000	1,500	493,400
Sub-Total	606,890	$32,462,870	801,670	$42,223,600

DETAILED ESTIMATES (Continued)

	Estimate FY 1950 M/T	Estimate FY 1950 C&F Cost	Estimate FY 1951 M/T	Estimate FY 1951 C&F Cost
3. PETROLEUM PRODUCTS				
(a) Kerosene	26,103	$2,193,710	9,485	$317,856
(b) Diesel Oil	36,288	1,193,744	56,700	1,690,227
(c) Navy Special Fuel Oil	63,561	1,224,473	84,997	1,544,400
(d) Lubricating Oils	10,161	1,559,219	12,933	970,637
(e) Grease	767	859,449	696	146,880
(f) Gasoline	47,267	195,588		none
(g) Wax	84	16,747		none
Sub-Total	184,231	$7,242,930	164,811	$4,670,000
4. MEDICAL SUPPLIES	200	$ 310,000		none
5. RAW AND SEMI-FINISHED MATERIALS				
(a) Raw Cotton (for textiles)	20,000	$13,463,000	10,540	$7,500,000
(b) Raw Cotton (for tire cord)	430	336,000	400	412,000
(c) Manila Fiber	1,600	816,000	1,400	742,000
(d) Sulphite Pulp	3,700	503,000	4,975	676,600
(e) Sulphate Pulp	500	60,000	200	24,200
(f) Cement	50,000	800,000	50,000	800,000
(g) Asphalt	15,000	845,000	10,000	560,000
(h) Coal Tar Pitch	18,850	1,100,000	20,000	591,000
(i) Creosote	8,300	700,000	5,500	757,000
(j) Chemicals	11,780	2,501,150	4,840	1,000,000
(k) Rubber	3,800	1,300,000	2,915	1,000,000
(l) Lumber	140,000	6,333,000	59,250	2,700,000
(m) Iron and Steel Products	28,530	2,983,000	19,100	1,900,000
(n) Tin Plate	450	110,000	600	129,600

DETAILED ESTIMATES (Continued)

		Estimate FY 1950		Estimate FY 1951	
		M/T	C&F Cost	M/T	C&F Cost
5.	RAW AND SEMI-FINISHED MATERIALS				
(o)	Non-Ferrous Metals	1,040	$ 478,050	994	$ 500,000
(p)	Cotton Yarn	1,300	1,422,000		none
(q)	Worsted Yarn	262	500,000		none
	Sub-Total	303,542	$34,250,200	190,744	$19,292,400
6.	INDUSTRIAL EQUIPMENT AND SUPPLIES				
(a)	Iron and Steel Products	6,870	$1,374,000	10,125	$1,500,000
(b)	Mining Equipment	1,240	496,000	1,600	200,000
(c)	Special Tools and Gauges		none	40	150,000
(d)	Electrical Apparatus	1,850	739,000	1,000	400,000
(e)	Pusan Marine Base Equipment	400	200,000	400	200,000
(f)	Rubber Plant Equipment		none	200	115,000
(g)	Street Cars	900	481,000		none
(h)	Miscellaneous Equipment		492,000		none
	Sub-Total	11,260	$3,782,000	13,265	$2,565,000
7.	RECOVERY PROJECTS				
(a)	Coal Mine Development	3,230	$2,325,000	2,175	$2,500,000
(b)	Steam Generating Plants	3,000	3,044,000	3,000	1,521,000
(c)	Sumjin Gang Hydroelectric Plant	25,000	870,000	28,200	750,000
(d)	Railroad Construction	26,300	2,630,000	76,500	2,000,000
(e)	Fishing Vessels		3,705,000		2,000,000

DETAILED ESTIMATES (Continued)

		Estimate FY 1950		Estimate FY 1951	
		M/T	C&F Cost	M/T	C&F Cost
7.	RECOVERY PROJECTS (Continued)				
(f)	Coal Carrying Vessels		$2,406,000		$2,000,000
(g)	Cement Plant		100,000	21,740	3,000,000
(h)	Fertilizer Plant		100,000	12,000	7,580,000
(i)	Bridge Construction	72,000	2,091,000	28,330	1,000,000
(j)	Irrigation & Land Reclamation	40,000	1,120,000	50,000	1,500,000
(k)	Flood Control		none	16,280	400,000
(l)	Saltern Construction	2,400	151,000	1,232	44,000
(m)	Harbor Dredging		none	1,000	440,000
(n)	Flat Glass Plant		none	2,200	550,000
(o)	Railroad Electrification	20	123,000		none
(p)	Sangdong Tungsten Mine	625	334,000		none
(q)	Samwha Iron Works	700	326,000		none
(r)	Coal Utilization	600	300,000		none
(s)	Silk Mill Rehabilitation		25,000		none
	Sub-Total	173,875	$19,650,000	242,757	$25,285,000
8.	SURVEYS AND OPERATING CONTRACTS				
(a)	Jacona and Electra		$563,000		$525,000
(b)	Baltic Instructors		199,000		250,000
(c)	Pusan Marine Base		177,000		215,000
(d)	Hydroelectric Power		100,000		235,000
(e)	Kimpo Airport		630,000		400,000
(f)	Handicraft Export Survey		120,000		none
(g)	Chartering & Repair of Vessels		100,000		none

DETAILED ESTIMATES (Continued)

	Estimate FY 1950 M/T	Estimate FY 1950 C&F Cost	Estimate FY 1951 M/T	Estimate FY 1951 C&F Cost
8. SURVEYS AND OPERATING CONTRACTS (Continued)				
(h) KOSCO Agreement		$61,000		none
Sub-Total		$1,950,000		$1,625,000
9. OCEAN FREIGHT				
(a) Transportation of Relief Packages		$ 60,000		$ 60,000
(b) Transportation on Previous Period Shipments		4,776,000		none
Sub-Total		$4,836,000		$ 60,000
10. TECHNICAL ASSISTANCE				
(a) Management and Training		$1,800,000		$1,650,000
(b) Technical Training Institute		475,000		430,000
(c) Training Koreans in the United States		410,000		129,000
(d) Special Training and Assistance Projects		150,000		170,000
(e) Training Supplies and Equipment	1,000	912,000	500	400,000
Sub-Total	1,000	$3,747,000	500	$2,779,000
11. ADMINISTRATION		$1,650,000		$1,500,000
GRAND TOTAL	1,281,298	$110,000,000	1,413,817	$100,000,000

	Estimate FY 1950		Estimate FY 1951	
	M/T	C&F Cost	M/T	C&F Cost
1. FOOD PRODUCTS				
(a) Fish Oil	300	$ 119,000		None
Sub-Total	300	119,000		
2. FERTILIZERS AND AGRICULTURAL SUPPLIES				
(a) Fertilizer				
Nitrogenous (N)	363,562 (93,940)	22,723,756	475,000 (130,000)	$ 29,590,080
Superphosphate (P_2O_5)	216,694 (35,214)	7,728,114	289,170 (48,000)	10,250,120
Potash (K_2O)	25,000 (12,000)	1,355,000	36,000 (18,000)	1,890,000
(b) Pesticides	1,634	656,000	1,500	493,400
Sub-Total	606,890	32,462,870	801,670	42,223,600

(a) Fertilizers - $42,223,600. Fertilizers recommended for import in fiscal year 1951 are the minimum quantities essential to feed the local population and to provide an export surplus of 425,000 M/T of rice in the next fiscal year. A substantial rice export is essential if Korea is to make progress towards obtaining a satisfactory balance of payments position and is basic to any recovery program for Korea. That imports of fertilizer in the quantities recommended will allow an export surplus of 425,000 M/T is supported by the following data, given in terms of metric tons of contained nitrogen, and representing actual receipts* in Korea:

*N.B. It will be noted that these receipts and the estimated receipts for fiscal years 1950 and 1951, given on the next page, do not correspond to the quantities of fertilizer programmed and to be procured in the same fiscal years.

	FY 1948	FY 1949
Net Nitrogen	78,000	77,000
Net P_2O_5	24,000	60,000
Net K_2O	3,500	24,000

These quantities of fertilizer, while substantially below theoretical requirements for economic crop production, were of sufficient volume to make for self-sufficiency in food in FY 1949 and to allow for an export of 100,000 M/T of rice in fiscal year 1950. For fiscal years 1950 and 1951, comparable data on expected applications of fertilizer in metric tons follows:

	FY 1950	FY 1951
Net Nitrogen	110,000	130,000
Net P_2O_5	50,000	48,000
Net K_2O	12,000	18,000

Even allowing for increased population pressure, it is believed that the application of approximately 80,000 M/T of contained nitrogen is sufficient to assure self-sufficiency in food for Korea. Nitrogen application in excess of this amount should be related to a positive export program.

Production statistics indicate that in Japan one metric ton of net nitrogen, with other fertilizers in proportion, will produce in excess of ten tons of polished rice. It is believed therefore that South Korea, with somewhat similar soil conditions, could export without restricting local consumption 300,000 M/T of rice on the basis of the planned imports of fertilizer in fiscal year 1950 and 500,000 M/T of rice on the basis of imports of fertilizer planned in fiscal year 1951. Export goals, however, have been fixed more conservatively at 275,000 and 425,000 M/T for these two years.

It is believed that increased application of fertilizers to provide a food export surplus offers an economic method of financing essential import requirements.

The proportion of fertilizers required is based upon analysis of fertilizer application results in 1948 and 1949 as well as upon the historical pattern of use of commercial fertilizers for Korea. In addition recognition has been given to the ability of the Korean farmer to adjust his operations to fertilizers which are unfamiliar to him. The selection of the quantities of fertilizers to be applied and the crops on which they are to be applied is based upon an overall plan by the Ministry of Agriculture and Forestry calculated to produce crops and livestock best adapted to the needs of the local population and to provide the maximum export surplus.

The price estimates shown in this Budget Estimate are based on the expectation that price experience will be more favorable in FY 1951 than in preceding years. Procurement will be against competitive bidding from commercial suppliers and not from United States Army plants, and it is expected that shipments can be made at berth rates.

(b) Pesticides - $493,400. Import requirements for fiscal year 1951 are calculated to be the amounts which can be efficiently utilized in the control of pests, the control of fungus diseases and to a limited extent, in the prevention of plant diseases. The requirements include pesticides and fungicides such as sulphur, DDT, Derris root, lead oxide, formaldehyde and arsenious oxide.

3. PETROLEUM PRODUCTS

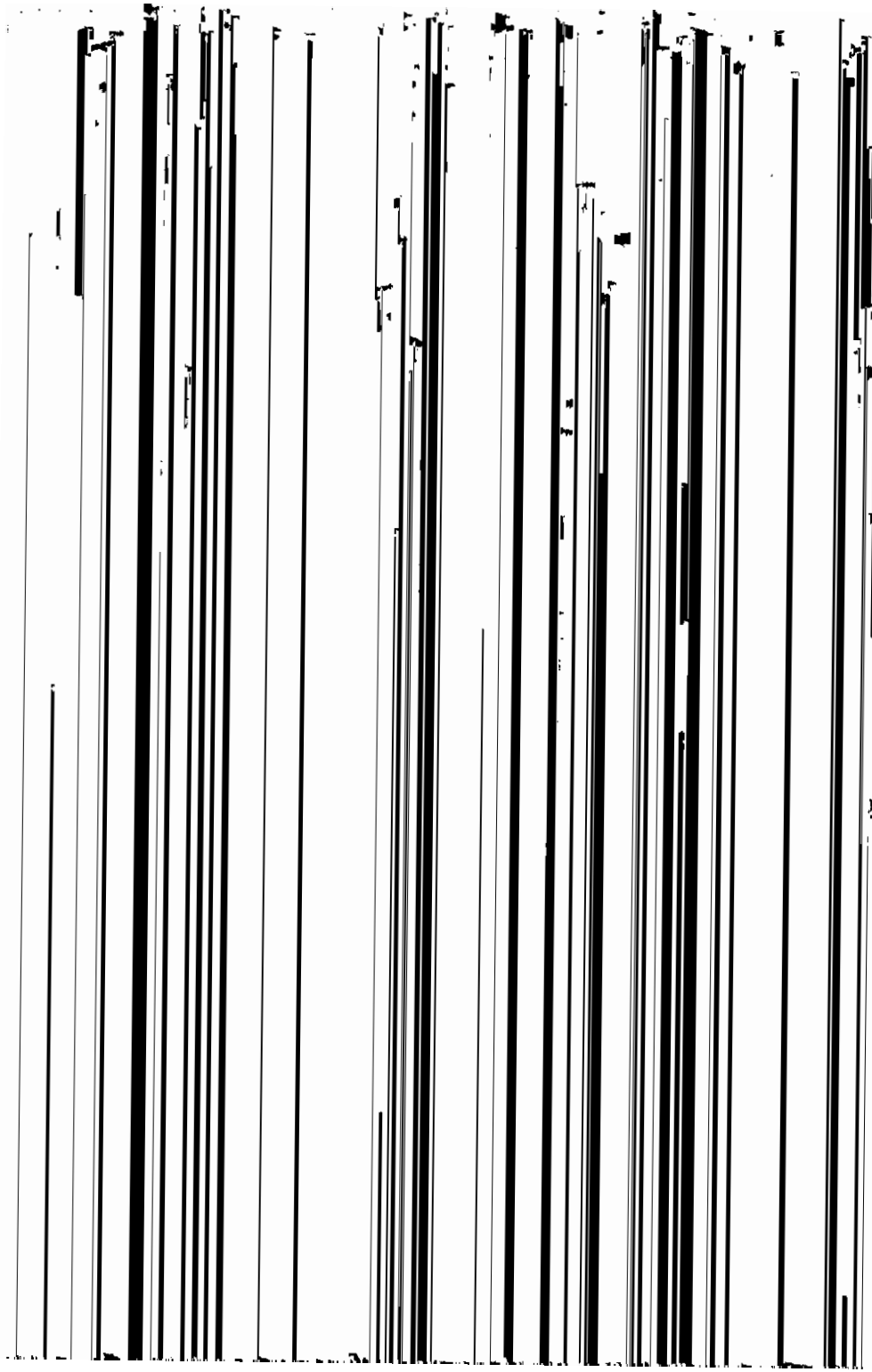
	Estimate FY 1950		Estimate FY 1951	
	M/T	C&F Cost	M/T	C&F Cost
(a) Kerosene	26,103	$ 2,193,710	9,485	$ 317,856
(b) Diesel Oil	36,288	1,193,744	56,700	1,690,227
(c) Navy Special Fuel Oil	63,561	1,224,473	84,997	1,544,400
(d) Lubricating Oils	10,161	1,559,219	12,933	970,637
(e) Grease	767	859,449	696	146,880
(f) Gasoline	47,267	195,588	None	None
(g) Wax	84	16,747	None	None
Total	184,231	$ 7,242,930	164,811	$ 4,670,000

There are no known petroleum reserves in all of Korea. It is therefore necessary to import all petroleum products required for essential needs of the economy.

In fiscal year 1951, the Korean Government will finance from its own foreign exchange all of the gasoline requirements and one-half of the lubricating oil and kerosene requirements. It is proposed that the Economic Cooperation Administration finance the diesel oil, fuel oil and one-half of the requirements for lubricating oil and kerosene. Thus, the Economic Cooperation Administration would be responsible for financing that portion of the total petroleum requirements which relates almost entirely to economic recovery.

(a) Kerosene - $317,856. The irregular and insufficient supply of electric power makes it necessary to light a large percentage of the houses in South Korea either wholly or partially with kerosene lamps. Home industries operate in many of these houses and lighting is essential to their continued functioning. In addition, kerosene is needed to operate numerous pumps in the irrigation system, for kerosene burning engines, for lighting in factories and mines, for illumination and cooking in fishing vessels, for railway lamps and for lighting in stations which have no electricity. The amount of kerosene programmed for ECA financing represents approximately 50 per cent of estimated total imports. The balance will be financed from Korean foreign exchange.

(b) Diesel Oil - $1,690,227. Diesel oil is needed for the power barge Electra and the Mokpo diesel plant. The continued operation of both of these electric power generating units is essential until thermal and hydroelectric facilities are built to take care of requirements for electricity, which are almost three times present generation. Diesel oil is also required for the operation of 75 small coastal vessels, which carry essential food, fuel, fertilizer and other commodities from the main ports to smaller ports, and approximately 2,500 fishing vessels, which are not only an important source of food, but generate a large portion of Korea's foreign exchange. Additional quantities are needed for diesel-driven irrigation pumps, diesel-powered equipment used by the railroads, industrial diesel engines in mines and factories and various small electrical generating sets which are used as steady or stand-by power at important factories and mines and for heating houses of American Mission personnel.



Fuel oil is needed mainly for the operation
ls. The Jacona at present produces over 10
ts continued operation is necessary until more
ssels which use fuel oil are mainly fishing
an to the Korean Government from the Depart-
ortation of aid supplies. During the fiscal
m of Navy Special Fuel, a product no longer

ements for lubricating oil are calculated as
n in all types of diesel engines. The lube-
one-half of estimated requirements and are
or operation of the Jacona and Electra, power
ry, marine and rail transportation systems
No provision is made for lubeoils related to

nts are based on the needs of industry as
to fuels and lubricants listed above. No
consumption of gasoline.

d FY 1950		Estimated FY 1951	
	C&F Cost	M/T	C&F Cost
	$ 310,000	None	None

5. RAW AND SEMI-FINISHED MATERIALS

		Estimated FY 1950		Estimated FY 1951	
		M/T	C&F Cost	M/T	C&F Cost
(a)	Raw Cotton for Textiles	20,000	$ 13,463,000	10,540	$ 7,500,000
(b)	Raw Cotton for Tire Cord and Sewing Thread	430	336,000	400	412,000
(c)	Manila Fibre	1,600	816,000	1,400	742,000
(d)	Sulphite Pulp	3,700	503,000	4,975	676,600
(e)	Sulphate Pulp	500	60,000	200	24,200
(f)	Cement	50,000	800,000	50,000	800,000
(g)	Asphalt	15,000	845,000	10,000	560,000
(h)	Coal Tar Pitch	18,850	1,100,000	20,000	581,000
(i)	Creosote	6,300	700,000	5,500	757,000
(j)	Chemicals	11,780	2,501,150	4,840	1,000,000
(k)	Rubber	3,800	1,300,000	2,915	1,000,000
(l)	Lumber	140,000	6,333,000	59,250	2,700,000
(m)	Iron and Steel Products	28,530	2,983,000	19,100	1,900,000
(n)	Tin Plate	450	110,000	600	129,600
(o)	Non-Ferrous Metals	1,040	478,050	994	500,000
(p)	Cotton Yarn	1,300	1,422,000		None
(q)	Worsted Yarn	262	500,000		None
	Total	303,542	$ 34,250,200	190,714	$ 19,292,400

(a) Raw Cotton for Textiles - $7,500,000. Total Korean requirements for cotton in fiscal year 1951 are estimated to amount to 27,610 metric tons. This will be sufficient for the production of about seven yards of cloth and one-half pound of sales yarn per person, based on a population of 21,000,000. Korea will meet these requirements out of a domestic production of 4,000 M/T of cotton suitable for spinning, 13,000 M/T to be procured with foreign exchange, and 10,540 M/T to be financed by ECA. While the allocation of more funds for cotton might assist in supporting the internal economy, since cotton has been successfully used as an incentive good in the government food purchase programs, it is

considered that there will not be adequate funds available in fiscal year 1951 to give greater emphasis to increased cotton textile production, in view of the need for expenditures in new plants.

(b) Raw Cotton for Tire Cord and Sewing Thread - $412,000. The 400 M/T of long staple cotton requested are essential for the production of truck tires and manufacture of clothing.

(c) Manila Fibre - $742,000. Manila fibre is necessary for the manufacture of rope for nets and tie lines to be used by the 38,000 fishing boats of all sizes in South Korea. The amount requested is far below actual requirements. The deficiency will be made up by the manufacture of low-grade rope from indigenous hemp, by mending worn-cut rope, and through the procurement of additional manila fibre with Korean foreign exchange. Good rope is necessary to prevent losses of valuable nets and fishing boats. The revival of Korea's fishing industry is essential to the country's economic health. Historically, the fishing industry has ranked second only to agriculture as a source of employment. Moreover, in 1940 Korea was the world's sixth-ranking country in total fishing catch. Korea cannot hope to attain a favorable balance-of-payments position without maximizing foreign exchange earnings of the fishing industry.

(d) Sulphite Wood Pulp - $676,600. No sulphite wood pulp is produced in Korea at present. The amount of pulp requested, will permit the production in Korean plants of about 17,000 M/T of paper (about 1-3/4 lbs. per person), mainly for newsprint paper and books. The importation of wood pulp will militate against the over-cutting of timber and permit indigenous wood to be used for construction purposes.

(e) Sulphate Wood Pulp - $24,200. No sulphate wood pulp is produced in Korea at present. The amount of sulphate pulp requested will permit the production of about 320 M/T of wrapping paper and containers.

(f) Cement - $800,000. About 50,000 M/T of cement will be procured for the construction and repair of factories, schools, public buildings, and miscellaneous public

works. Together with the 50,000 M/T which will be produced by the Samchok Cement Plant, this quantity of cement will continue the limited amount of rebuilding started during fiscal year 1950, without increasing the pressure on the supply of timber. The cement requirements for the construction projects are presented separately in this Budget Estimate.

(g) Asphalt - $560,000. This requirement is for the repair of bituminous macadam and bituminous concrete pavement in South Korea, mostly in the cities and in industrial and port areas. Korea has no indigenous source of bituminous material from which to obtain the asphalt necessary for the maintenance of this pavement. Experience shows that annually about one-third of the total area of the existing pavement must either be patched or given a light sealcoat. The amount of asphalt requested plus that supplied in FY 1950 will be barely sufficient for these purposes. The upkeep of the roads is necessary to economic recovery since a large amount of goods are carried by trucks. If the key roads were allowed to go without protective maintenance and to deteriorate, Korea would be faced with a serious reconstruction problem.

(h) Coal Tar Pitch - $591,000. There is no local source of pitch. It is needed mainly for the manufacture of briquettes to be used in transportation (railroad engines) and industry. Briquettes are made from Korean anthracite coal, imported bituminous coal, and pitch. Korea has no bituminous coal and its anthracite is largely in the form of dust. If pitch is not imported the need to import bituminous coal is increased. It is expected that in fiscal year 1951 procurement can be made in Japan at a cost of about $29.50 per M/T landed in Korea.

(i) Creosote - $757,000. Of the 1,500,000 gallons of creosote which can be procured with this amount, 1,440,000 gallons are necessary to treat, for preservative purposes, the 800,000 cross-ties which it is proposed to procure with ECA funds (see Lumber, below). The other 60,000 are necessary to treat switch-ties and bridge timbers on the railroad system.

A small amount of creosote is produced in Korea and will be used to treat about one-half of the 200,000 cross-ties which it is estimated, will be produced locally.

Importing creosote for use in treating the cross-ties in Korea will result in substantial savings over the cost of importing treated cross-ties. Treated cross-ties last at least twice as long as untreated ties.

(j) Chemicals - $1,000,000. Funds are requested for the procurement of approximately 4,840 M/T of fifty different chemicals, both industrial and commercial. Principal chemicals which are programmed are chlorine and aluminum sulfate for water purification, chemicals for the ceramics industry, ammonia for use as a refrigerant, soda ash for use in the metallurgic and chemical industry, oil for paint manufacturing, anti-oxidant and other chemicals for use in rubber compounding, paint and pigments for preservation of boat structures, and quebracho and other chemicals for tanning.

(k) Crude Rubber - $1,000,000. The principal requirement for rubber is for the manufacture of rubber shoes, worn by most of the population. At present, over 20 million pairs of rubber shoes are made each year. Other uses of the crude rubber are in the manufacture of automobile tires and tubes, bicycle tires, rice rollers, industrial belting and gaskets for numerous industrial and mining uses. There is also a possibility that exports of canvas rubber shoes will be feasible during the fiscal year. The balance of Korea's rubber requirements will be financed from Korean foreign exchange.

Korea produces no rubber and it is planned in fiscal year 1951 that approximately one-half of Korea's requirements be financed from foreign exchange, and one-half with ECA funds.

(1) Lumber - $2,700,000. This amount will be used to finance the following imports:

Cross-ties	$ 1,085,600
Veneer logs	100,000
Wheel and wagon stock	108,900
Lumber for shipbuilding, general construction and maintenance	1,185,000
Poles and piling	220,500
	$ 2,700,000

Korean timber is being cut faster than it is being grown. Over-cutting of the forests has resulted in destructive floods during rainy seasons with serious erosion and silting damage to farm lands, destruction of road and railroad bridges, and damage to cities and towns in low areas. South Korea has an area of 23 million acres, of which 16 million, or approximately 70 per cent, divided as follows, are classed as forest or potential forest lands:

Denuded forest lands	30%
Trees 1 - 20 years old	45%
Trees 21 - 40 years old	15%
Trees 41 - 60 years old	5%
Trees 60 years old or older	5%

Trees that are 60 years old or older are usually large enough for sawlogs, but a large number in this age group are in inaccessible mountains. Heavy inroads are being made on the accessible stands; close to 200 million cubic feet are cut each year (about 80% for fuel) while yearly growth is less than 113 million cubic feet.

Procurement of the lumber will be made by the Federal Service Supply, on the basis of sealed bids, from the most advantageous source taking into account cost and quality.

Considerably less than one-half of the import requirements of Korea for lumber are being programmed out of ECA funds. The cross-ties are necessary to replace the most seriously deteriorated ties on Korea's railroad system, which has 2,025 miles of a standard gauge track. Actually, 4,500,000 ties could be used. The veneer logs will produce about 25,000 sheets of plywood estimated as necessary for railroad cars. The wheel and wagon stock is necessary for the wagons and cars which are still a major means of transportation. The building lumber will be used for the construction and repair of factories, railroads, communication systems, bridges and fishing boats. The poles and piling are necessary for the communications system and for dock and bridge construction.

(m) Iron and Steel Products - $1,900,000. This amount is requested for the procurement of about 19,100 M/T of raw and semi-finished iron and steel billets and bars, steel sheet and plates, steel strip, steel shapes, special steel, boiler plate, galvanized sheet, staybolt iron, spring steel and silicon steel sheets.

There are over 1,000 plants in South Korea where iron and steel products can be furnished. These range in size from small foundries to large industrial plants which cover several hundred acres. Due to the lack of pig iron, raw materials, and electricity, and the repatriation of Japanese managerial and technical personnel, production since the war has been very low. With the arrival of raw materials in 1949 and an increase in the production of electricity, there has been a rapid recovery of the mechanical industry. The raw and semi-finished iron and steel that can be purchased with the amount requested here will enable South Korea to manufacture, utilizing only a small percentage of the mechanical facilities available, some of the repair and replacement parts and much of the machinery required for the proper functioning of transportation, agriculture, and the mining, textile, electrical, and tool-manufacturing industries. To the maximum amount, the iron and steel that has been programmed is in iron and steel semi-finished rather than finished forms, so that Korean processing facilities can be more fully utilized and to minimize procurement of more costly finished products.

(n) Tin Plate - $129,600. The 600 M/T of tin plate that can be purchased with this

amount are required to manufacture cans for the forty-four canneries in South Korea--mainly for packing seafood and red ginseng for export. The market value of these products is very low unless they are properly canned.

(o) Non-Ferrous Metals - $500,000. About 994 M/T of non-ferrous metals will be imported with the amount requested. Electrolytic copper will be purchased to enable the Korean electrical industry to satisfy the local demand for electrical industrial goods, ranging from electric wire to motors and transformers. Aluminum ingots will be procured to enable the Korean aluminum factories and rolling mills to meet domestic requirements for the manufacture of industrial finished products. Antimony, zinc ingots, nickel cathodes, tin ingots, and chrome ingots will be procured for the manufacture of printing types, maintenance of mines and textile mills, and manufacture, maintenance, and repair work in the automotive-parts industry.

6. INDUSTRIAL EQUIPMENT AND SUPPLIES

		Estimate FY 1950		Estimate FY 1951	
		M/T	C&F Cost	M/T	C&F Cost
(a)	Iron and Steel Products	6,870	$1,374,000	10,125	$1,500,000
(b)	Mining Equipment	1,240	496,000	1,600	200,000
(c)	Special Tools & Guages		None	40	150,000
(d)	Electrical Apparatus	1,850	739,000	1,000	400,000
(e)	Pusan Marine Base Equipment	400	200,000	400	200,000
(f)	Rubber Plant Equipment		None	200	115,000
(g)	Street Cars	900	481,000		None
(h)	Miscellaneous Equipment		492,000		None
	Total	11,260	$3,782,000	13,365	$2,565,000

(a) Iron and Steel Products - $1,500,000. The following finished iron and steel products which cannot be manufactured in Korea are needed to insure continued operation

of industrial, electric power, and transportation facilities:

(1) Boiler & Water Tubes - $448,800. Boiler tubes are required for repair and maintenance of boilers in ships, locomotives, factories, and thermal plants. Water tubes are necessary for mines and the transportation system.

(2) Steel Pipe - $51,950. Steel pipe is needed mainly for ship repairs and the maintenance of ice plants. Small quantities are required for automobile parts, mining machinery, and bicycles.

(3) Steel Rail - $724,000. Most of the rail in the main lines of Korea is quite old and is becoming dangerously worn, particularly on curves, in tunnels, on approaches to and on bridges, and in places where rail receives heavy use. At present some of the main-line track is over 40 years old. If rail were replaced every 25 years, an average of 13,000 M/T of rail would be required each year for replacement of the track now in use. The amount requested here will permit replacement only in those places where thare has been the most serious wear, and where the danger of accidents is consequently the greatest.

(4) Steel Wire - $111,250. Steel wire is needed for the manufacture of wire rope to be used as ship hoists, net cables, and hawsers in the fishing industry and in mining.

(5) Steel Balls - $164,000. Steel balls are required for the manufacture of ball bearings to be used in equipment having movable parts, such as trucks, machinery, locomotives, and bicycles.

(b) Mining Equipment - $200,000. The funds requested here will be used as follows:

(1) Tungsten - $40,000. An improved mining method has been devised to facilitate the removal of at least 30% more tungsten ore from the stopes than can safely be extracted by present systems. The funds requested here will be used to purchase slushers and stopers necessary for installation of this method at the Sangdong Tungsten Mine. Tungsten is one

of Korea's important exports.

(2) Graphite Mining - $160,000. The combined reserves of crystalline graphite at the Oryudong and Shiheung Mines in western Kyonggi Do are estimated to total 3,000,000 metric tons containing three - five per cent carbon. The graphite at Shiheung is found throughout a mountain of soft granite gneiss which could be mined by an open cut method, with a minimum of blasting, if bulldozer tractors were procured. At present these mines produce three marketable grades of graphite. Because the beneficiation equipment now being used is very inefficient, 1,000 metric tons of crude ore will not yield more than one metric ton of grade A, six metric tons of grade B, and 13 metric tons of grade C. Yearly production of both mines now totals about 620 metric tons, valued at $60,000. It is estimated that use of more efficient beneficiation equipment could increase the production of grade A four times, of grade B three times, and of grade C two times. At current market prices, these increases would generate an additional $150,000 of foreign exchange per year. The funds requested will be utilized principally for the purchase of bulldozer tractors and beneficiation equipment, such as hammer-type pulverizers, shaking screens, rotary driers, rod mills, pumps, and drum filters with vacuum equipment.

(c) Special Tools and Gauges - $150,000. During the war, the Japanese built up in Korea a large mechanical industry for the production of war equipment. Since the liberation of a large part of this industry has lain idle. A survey is currently being made to determine which plants can be retooled and operated to provide the maximum benefit to the Korean economy. The attempt will be made to rehabilitate plants producing finished steel products which at present must be imported. Certain special machine tools and gauges will be needed for the plants selected. Moreover, in order to improve the workmanship in these plants, it will be necessary to import certain industrial test instruments and various items of laboratory equipment.

(d) Electrical Apparatus - $400,000. The thermal and hydro plants now operating in South Korea were only stand-by or seasonal plants during Japanese rule. Consequently, they were not kept in good condition and at present need continuous repair and considerable main-

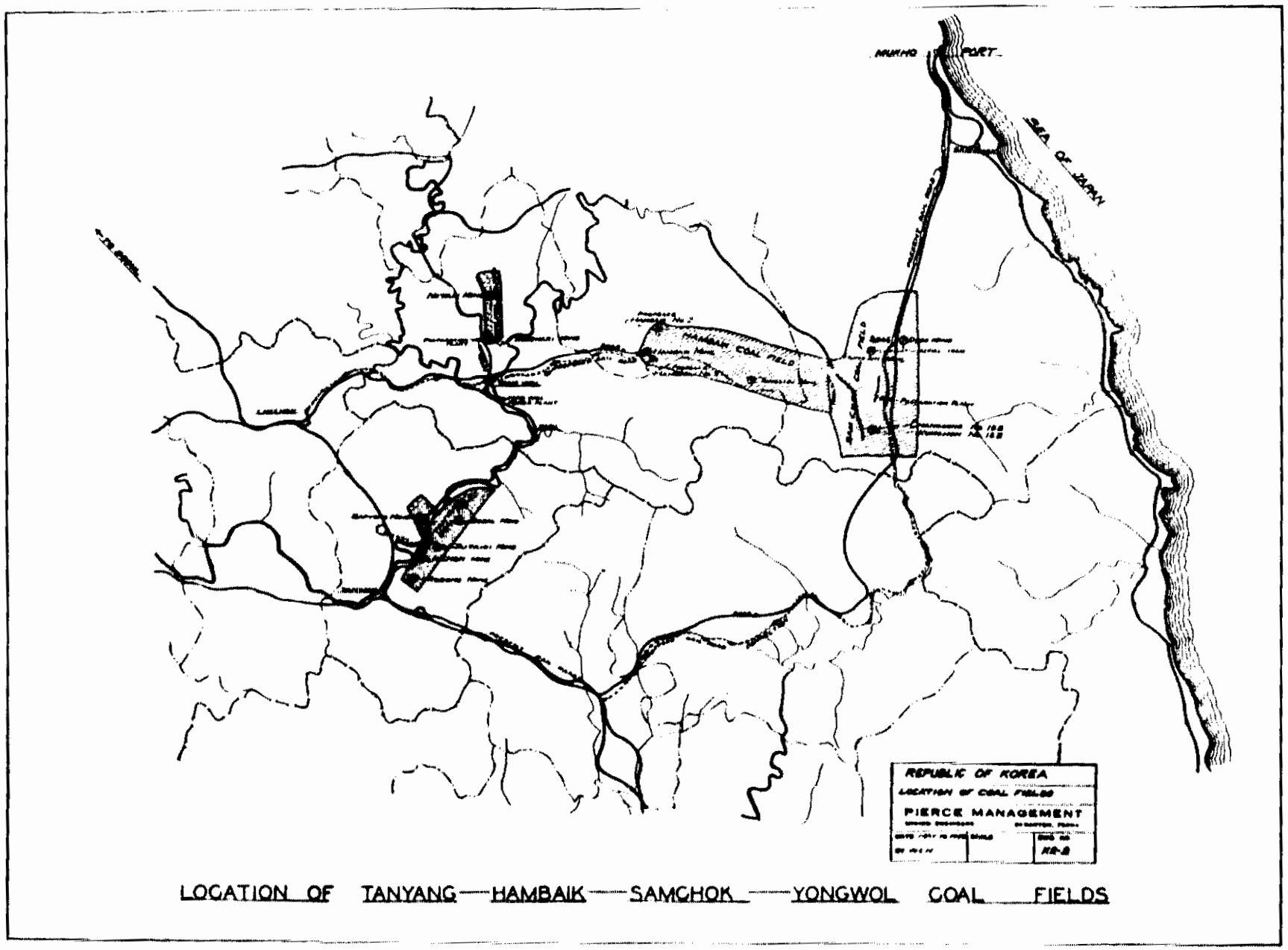
tenance. The funds requested here will buy repair and maintenance parts for transmission, distribution, and generation, and the parts will range from insulating bushings to motors and instruments. Diesel engine parts, spare motors, spare ball mill parts, and Kenyon pump parts are also needed. In addition, funds will be required to cover emergency repairs in view of the age of the equipment now in use, the lack of stocks of spare parts at the plants, and the vital importance of each plant.

(e) Pusan Marine Repair Base Equipment - $200,000. The major ship repair base in South Korea is located in Pusan. Under Japanese management this base was capable of building and repairing ships up to 6,000 tons. Since the removal of Japanese technicians, the equipment has deteriorated through lack of proper care and maintenance. When the base is placed in full operating condition, it will be able to handle all repairs to Korean merchant vessels. In addition, the construction of harbor craft, fishing vessels, and eventually merchant vessels for coastal service will be undertaken at the base. This will result in the saving of large amounts of foreign exchange presently expended for the repair and construction of Korean ships in Japan. Funds for the supervision of this base and for the training of Korean personnel in its operation are presented separately in this Budget Estimate. The money requested here is for items to equip the yard itself, such as machine tools, steel and metal working equipment, cranes and parts, shop equipment, electric motors, and air compressors.

(f) Rubber Plant Equipment - $115,000. It is estimated that 150,000 tires per year are needed to keep in operation the trucks, buses, and automobiles now in use in South Korea. Present production is at the rate of 30,000 tires per year. With the money requested here, it is planned to equip a new tire factory with a yearly capacity of 39,700 tires and 24,480 tubes. This plant will be owned and operated by a private company which at present produces rubber footwear and diving suits. Such items as rubber mixing mills, a boiler, colanders, a cord dipping machine, tire building drums, vulcanizing equipment, tubers, pumps, air compressors, and accessory equipment such as motors and drivers are needed.

7. RECOVERY PROJECTS

		Estimate FY 1950		Estimate FY 1951	
		M/T	C&F Cost	M/T	C&F Cost
(a)	Coal Mine Development	3,230	$ 2,325,000	2,175	$ 2,500,000
(b)	Steam Generating Plants	3,000	3,044,000	3,000	1,521,000
(c)	Sumjin Gang Hydroelectric Plant	25,000	870,000	28,200	750,000
(d)	Railroad Construction	26,300	2,630,000	76,500	2,000,000
(e)	Fishing Vessels		3,705,000		2,000,000
(f)	Coal Carrying Vessels		2,406,000		2,000,000
(g)	Cement Plant		100,000	21,740	3,000,000
(h)	Fertilizer Plant		100,000	12,000	7,580,000
(i)	Bridge Construction	72,000	2,091,000	28,300	1,000,000
(j)	Irrigation & Land Reclamation	40,000	1,120,000	50,000	1,500,000
(k)	Flood Control		None	16,380	400,000
(l)	Saltern Construction	2,400	151,000	1,232	44,000
(m)	Harbor Dredging		None	1,000	440,000
(n)	Flat Glass Plant		None	2,200	550,000
(o)	Railroad Electrification	20	123,000		None
(p)	Sangdong Tungsten Mine	625	334,000		None
(q)	Samwha Iron Works	700	326,000		None
(r)	Coal Utilization Equipment	600	300,000		None
(s)	Silk Mill Renabilitation		25,000		None
	Total	173,875	$19,650,000	242,757	$25,285,000



LOCATION OF TANYANG—HAMBAIK—SAMCHOK—YONGWOL COAL FIELDS

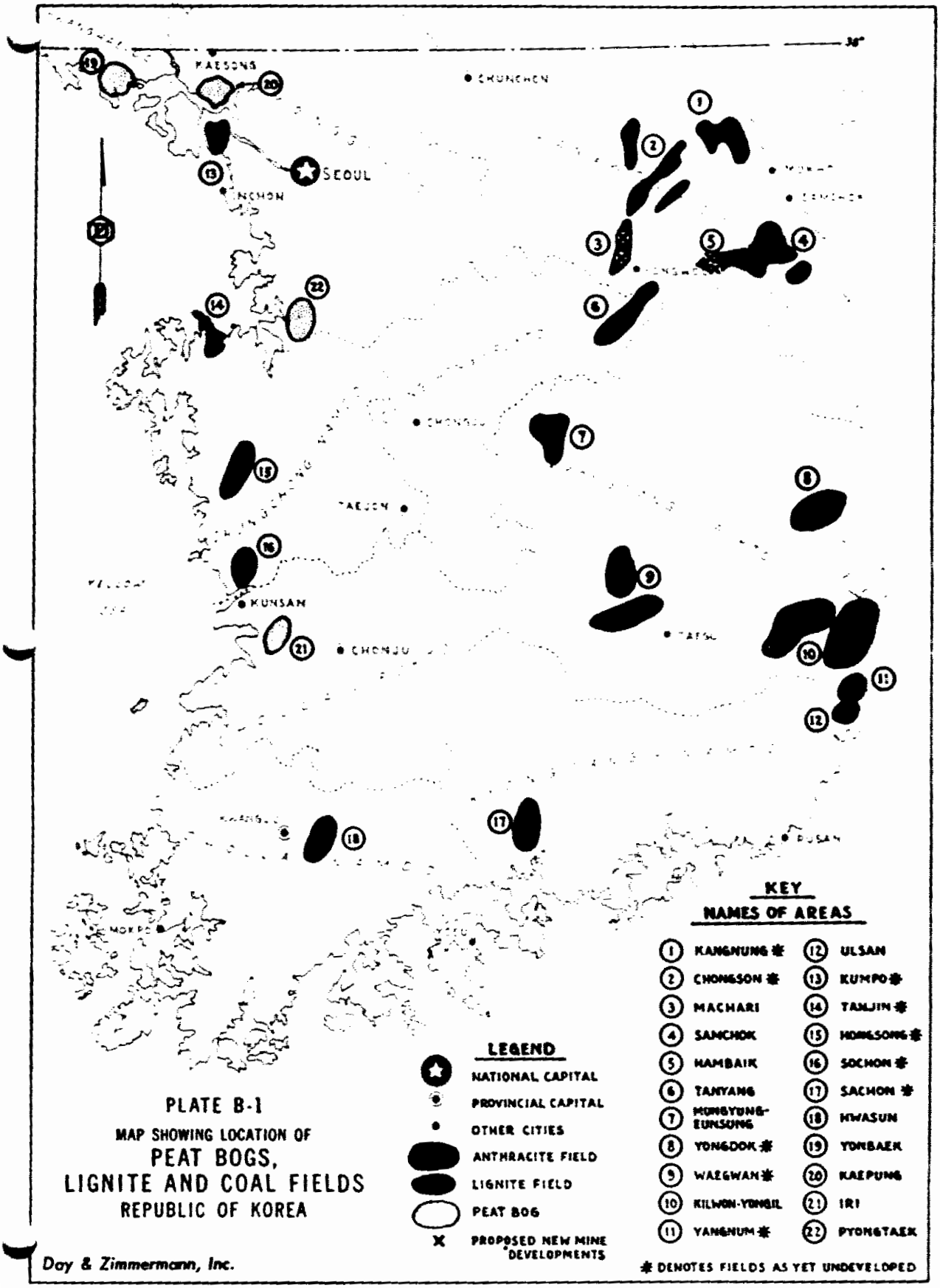


PLATE B-1

MAP SHOWING LOCATION OF

PEAT BOGS, LIGNITE AND COAL FIELDS REPUBLIC OF KOREA

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(a) Coal Mine Development--$2,500,000. Increased coal production is of extreme importance to the economy of South Korea and the success of the Economic Cooperation Administration recovery program. Industrial development is related to increased generation of electric power which in turn is dependent to a large extent on coal availabilities.

The largest known deposit of coal in South Korea is in the Samchok-Hambaik area. However, there are no known deposits of bituminous coal in South Korea, so that recourse must be had to anthracite. Estimated annual minimum fuel requirements, exclusive of the proposed nitrogen fixation fertilizer plant needs are 4,400,000 metric tons. Coal production in 1947 and 1948 was 430,000 metric tons and 714,000 metric tons, respectively, and it is expected production will reach 952,000 metric tons in 1949. During the first six months of 1949, ECA imported and furnished the Republic with 542,000 metric tons of bituminous coal valued at $7,560,000 and the Government is presently importing an additional 300,000 metric tons valued at $3,000,000. Present annual production and imports of coal amount to 1,794,000 metric tons which is far below the country's minimum requirement. Therefore, in order to provide the fuel required for industrial and domestic purposes and to reduce large coal imports which the Korean economy cannot support, the immediate expansion of coal production is necessary.

The coal mine development project is planned over a three-year period. It contemplated the geologic investigation of five major mining areas estimated to have recoverable reserves of 470,000,000 metric tons, core drilling exploration based on geologic studies, planning and designing of mine sites and installations, and the opening of mines and production of coal. $1,291,840 is to be expended from fiscal year 1950 funds for surveys, core drilling, miscellaneous equipment and supplies, cement and coal cleaning equipment. Expenditures in the amount of $2,500,000 contemplated for fiscal year 1951 are for improving operations and increasing present anthracite production in the five separate mining areas, namely: Machari, Hambaik, Hwasun, Samchok, and Tanyang. The proposed project, together with raw and semi-finished materials requested for fiscal year 1951 for the rehabilitation of the coal mines, will increase estimated 1950 production from 1,200,000 metric tons to an estimated 1,516,000 metric tons in 1951. Core drilling data are needed to confirm the findings of the preliminary surveys and to determine the best locations for opening new mines and improving present mining operations. For this purpose, $512,000 covering both core drillings and equipment, is included in this project. The ash content of Korean anthracite is exceedingly high, particularly in the Machari area where it averages about 47 per cent waste. It is proposed to

construct five beneficiation plants, one in each area, to reduce the ash content and thus reduce transport needs, and to increase burning efficiency. Expenditures for this purpose, including engineering supervision of the installation of the plants, will require $1,500,000. This project proposes to develop and open new mines in the Samchok field. Mines in this area are presently producing 370,000 metric tons per year. It is expected this addition, including improvement to existing facilities, will increase production to 630,000 metric tons. In the Hambaik area, in addition to opening a new mine, electrification of the present mine transportation system will be required. With these additions, annual production is expected to increase from 6,000 metric tons in 1949 to 71,000 metric tons in 1951. This project also contemplates retimbering openings and the straightening of underground workings of mines in the Hwasun field. The present narrow gauge tracks will be changed to standard gauge. Opening a new mine and mine electrification is also proposed. Hwasun annual production is expected to increase from the present 132,000 metric tons to 210,000 metric tons in 1951. Total production in the Tanyang field is presently 38,000 metric tons. The proposed new mine and other improvements in this area are expected to increase this production to 170,000 metric tons per year. A new mine in the Machari area is urgently needed. Coal production from this field is critically short for the generation of power at Yongwol, the largest power generating plant in South Korea. It is estimated that the proposed mine and other improvements will increase present annual production from 225,000 metric tons to 435,000 metric tons.

In addition to the beneficiation plants and core drilling equipment, nine diesel units will be required during fiscal year 1951 for the generation of stand-by power to maintain pumping operations in the event of power failure to prevent flooding of the mines located considerably below the water table. Also, mine locomotives, steel rail and bulldozers will be required. Special steels primarily in the form of bits will be needed in changing over from present hand drill operations to the use of drifters, stoppers, and jack hammers. Switchboards will be needed for maintaining communications between the mines.

(b) Steam Generating Plants—$1,521,000. Power is one of the primary needs of South Korea inasmuch as no industrial recovery or sound economy can be achieved without additional generating capacity. Up until May 14, 1948, when power was cut off from North Korea, two-thirds of South Korea's power had been obtained from that source. Since South Korea's generating facilities are inadequate to provide enough electric power to make up the loss from

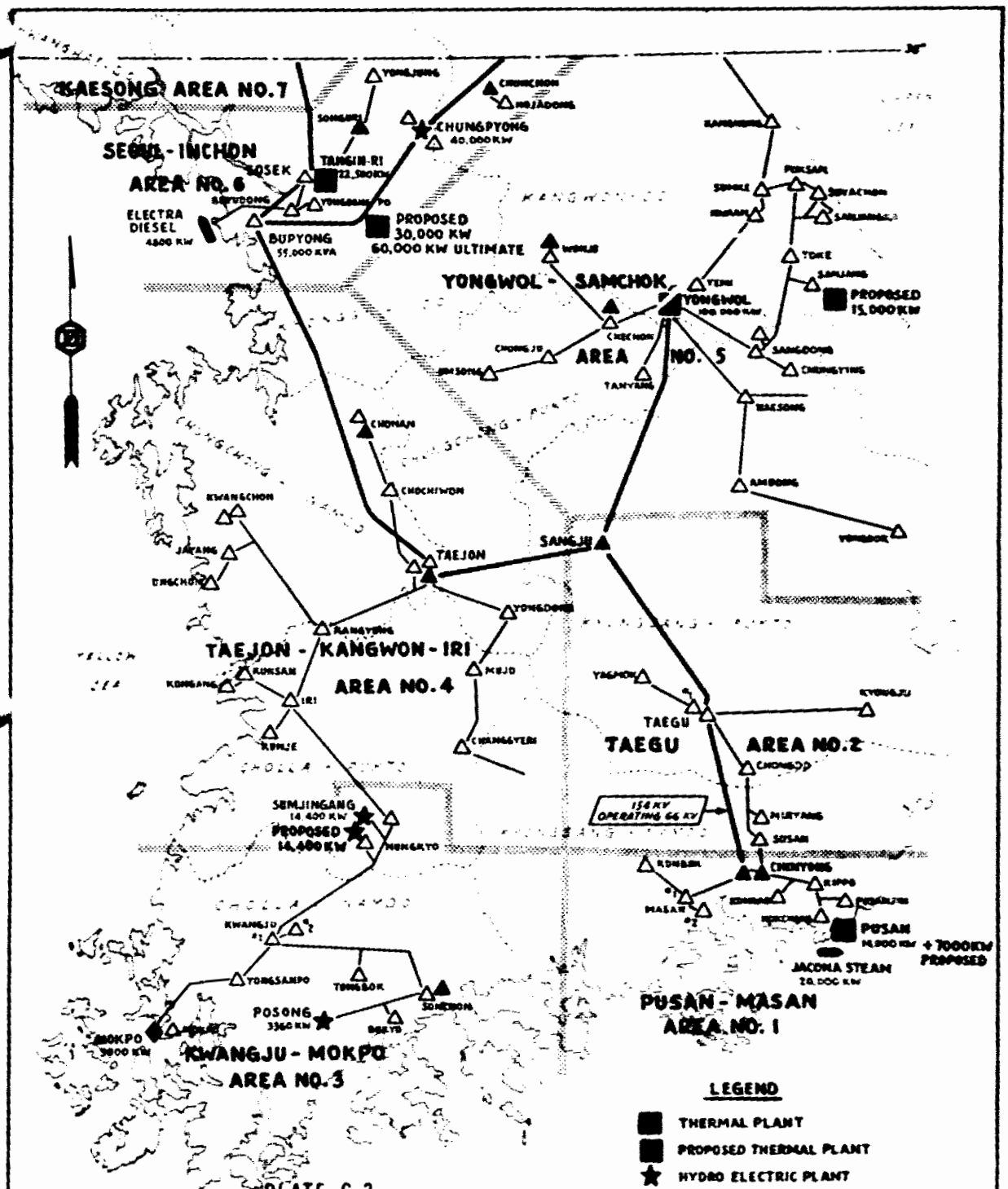

PLATE C-2

MAP SHOWING

POWER SYSTEM OF SOUTH KOREA

POWER PLANTS, SUBSTATIONS, TRANSMISSION LINES
AND
LOAD CENTER AREAS
REPUBLIC OF KOREA

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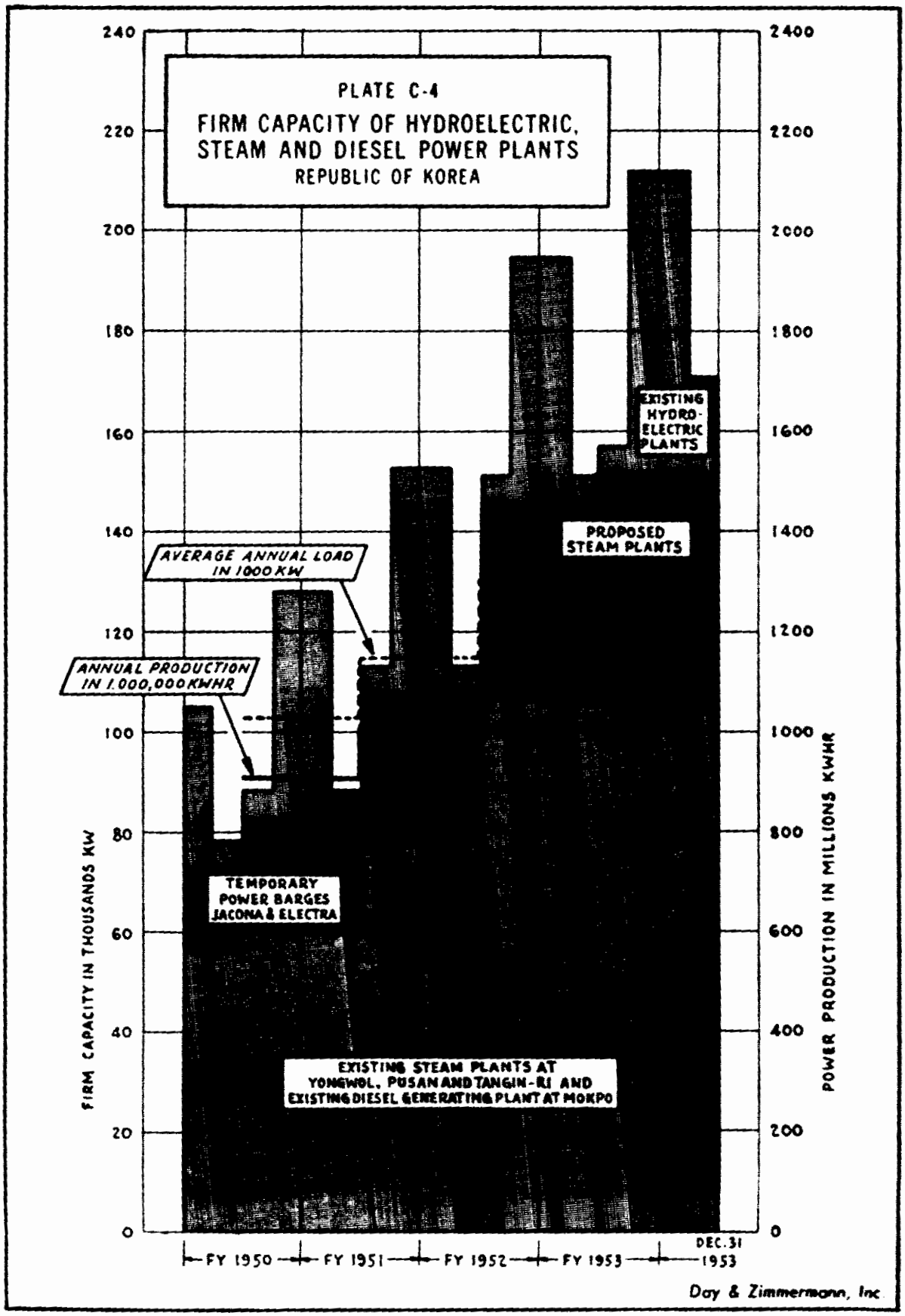
PLATE C-4
FIRM CAPACITY OF HYDROELECTRIC, STEAM AND DIESEL POWER PLANTS
REPUBLIC OF KOREA
FIRM CAPACITY IN THOUSANDS KW
POWER PRODUCTION IN MILLIONS KWHR
240
220
200
180
160
140
120
100
80
60
40
20
0
2400
2200
2000
1800
1600
1400
1200
1000
800
600
400
200
0
AVERAGE ANNUAL LOAD IN 1000 KW
ANNUAL PRODUCTION IN 1,000,000 KWHR
EXISTING HYDRO-ELECTRIC PLANTS
PROPOSED STEAM PLANTS
TEMPORARY POWER BARGES JACONA & ELECTRA
EXISTING STEAM PLANTS AT YONGWOL, PUSAN AND TANGIN-RI AND EXISTING DIESEL GENERATING PLANT AT MOKPO
FY 1950
FY 1951
FY 1952
FY 1953
DEC. 31 1953
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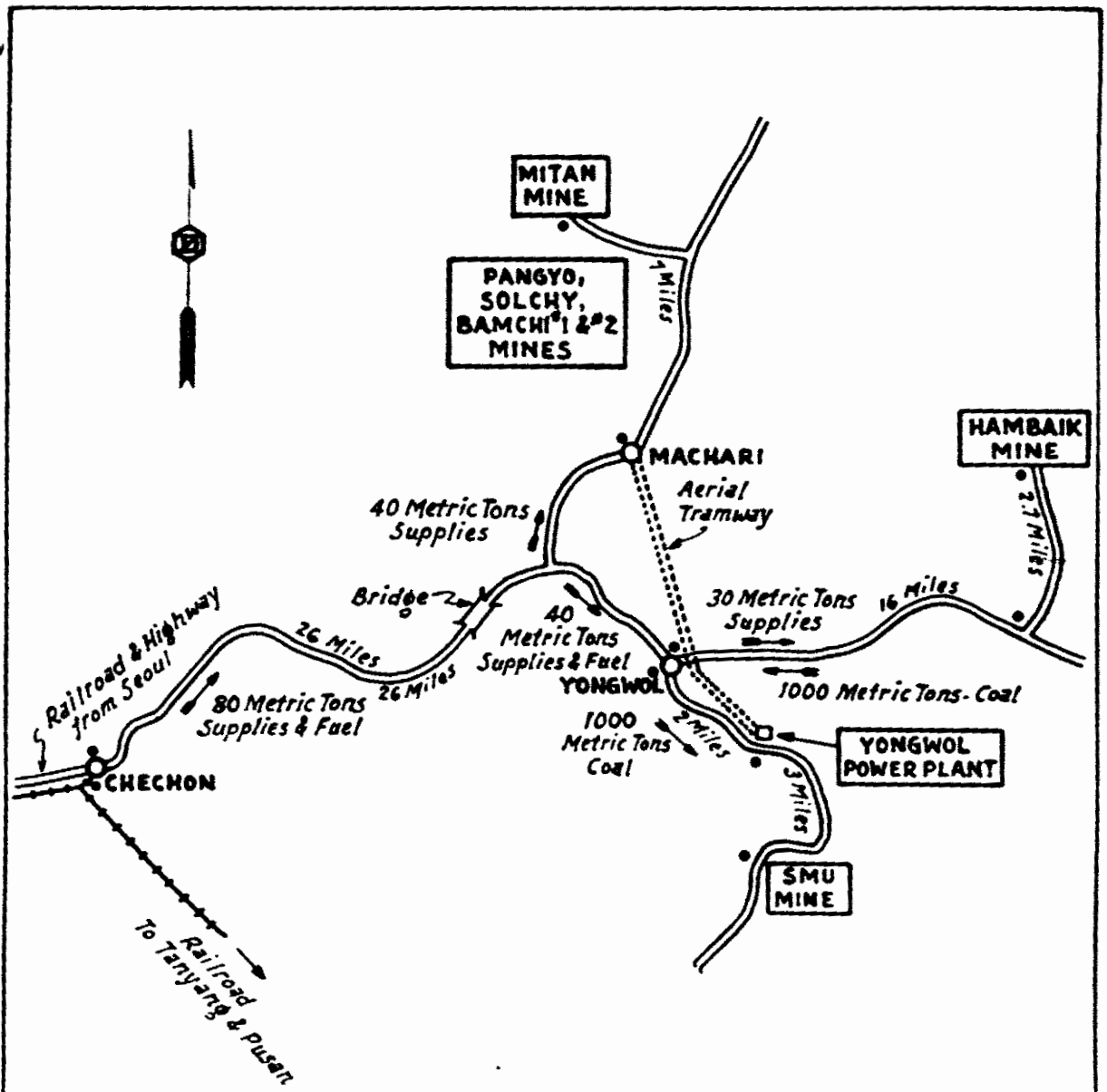

PLATE B-2

MAP OF

AREA ADJACENT TO YONGWOL POWER PLANT

SHOWING

ROUTES OF SUPPLY, SUPPLY POINTS

AND

DAILY TONNAGES TO BE TRUCKED

REPUBLIC OF KOREA

Day & Zimmermann, Inc

North Korea, domestic and commercial consumption has been reduced to a minimum with the result that industrial rehabilitation has been retarded. Without additional production of electric power, it will be impossible to rehabilitate industry and establish sound economic conditions. The total electric power requirements for South Korea are estimated at 190,000 KW. Currently, including the emergency barges "Jacona" and "Electra", operating generating facilities are capable of producing approximately 129,000 KW, so that additional capacity of 61,000 KW is required.

In an effort to alleviate the existing power shortage, during fiscal year 1950 two major thermal projects, a 15,000 KW plant near Samchok and a 30,000 KW plant near Seoul, were started. The 15,000 KW plant will minimize power losses and provide dependable power in the industrial Samchok area. Through additional power generated, proper operation of the cement plant and the soap and chemical plant will be assured as well as resumption of operations of a carbide and electrode factory also located in the Samchok area. Not only will this plant furnish increased power to the coal mines in eastern Korea but also to southern and western Korea.

The 30,000 KW plant is to be located in the Seoul-Inchon area where a shortage of approximately 60,000 KW exists. The new plant will provide 30,000 KW of this requirement and an additional 15,000 KW now going to the Samchok industrial area can be allocated from existing plants to further reduce the shortage of power in the Seoul-Inchon area. With the increase of available power resulting from the installation of the 30,000 KW thermal plant, textile mills, ball bearing, pump and electrical motor factories and steel plants will receive sufficient power to operate more uniformly and economically than is now possible with the shortage of generating capacity.

Upon the completion of the two thermal plants it is anticipated that the two American-owned barges will be withdrawn thereby reducing the power available to South Korea by approximately 25,000 KW. Consequently, power restrictions will still have to be maintained until additional sources of electric power can be developed to make up this deficit in order to provide the estimated total requirements of 190,000 KW which will be required to allow for reasonable growth in industry and to maintain security for the country.

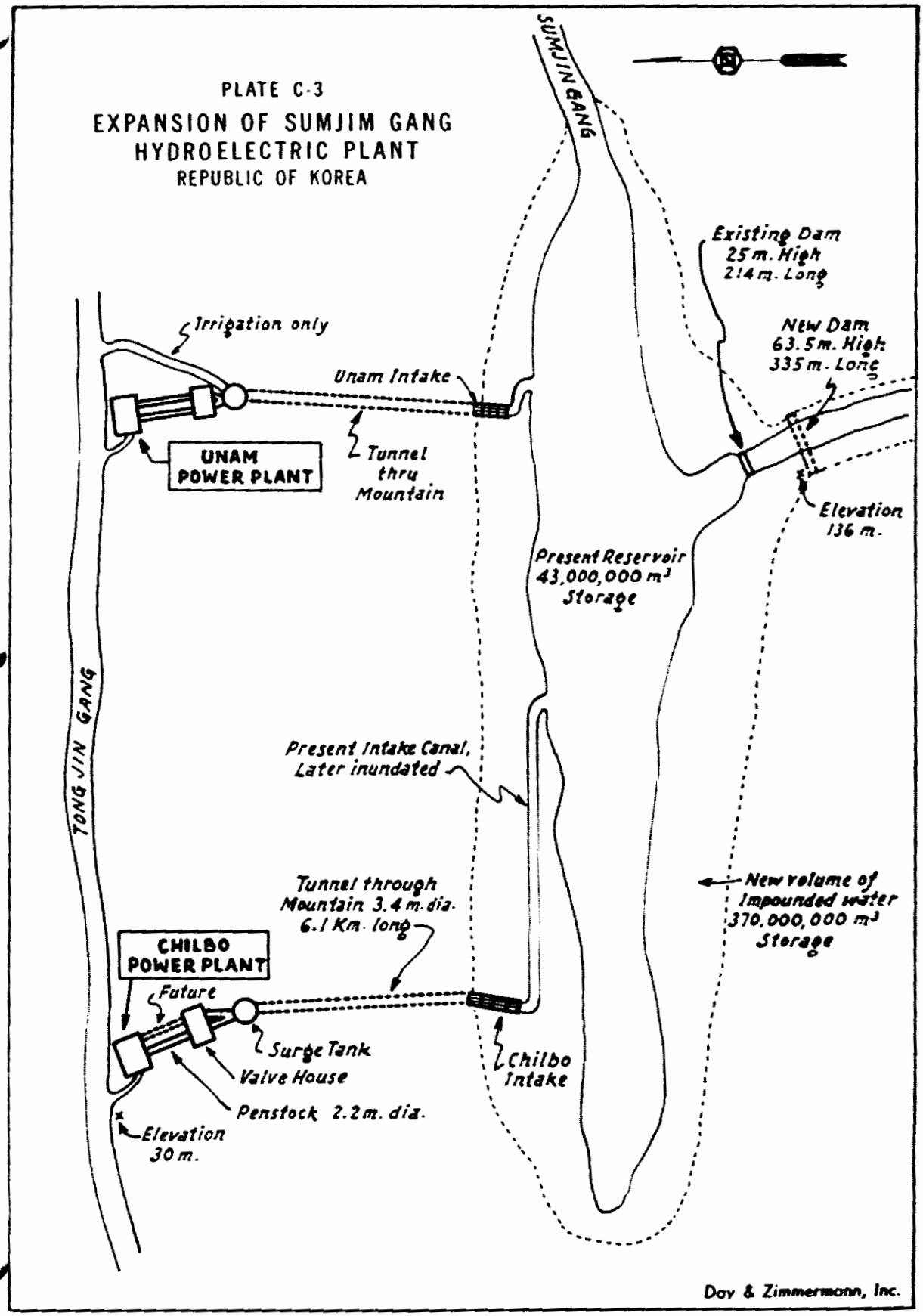
PLATE C-3
EXPANSION OF SUMJIM GANG
HYDROELECTRIC PLANT
REPUBLIC OF KOREA
SUMJIN GANG
Existing Dam
25 m. High
214 m. Long
New Dam
63.5 m. High
335 m. Long
Irrigation only
Unam Intake
UNAM
POWER PLANT
Tunnel
thru
Mountain
Elevation
136 m.
Present Reservoir
43,000,000 m³
Storage
TONG JIN GANG
Present Intake Canal,
Later inundated
Tunnel through
Mountain 3.4 m. dia.
6.1 Km. long
New volume of
Impounded water
370,000,000 m³
Storage
CHILBO
POWER PLANT
Future
Surge Tank
Valve House
Penstock 2.2 m. dia.
Chilbo
Intake
Elevation
30 m.
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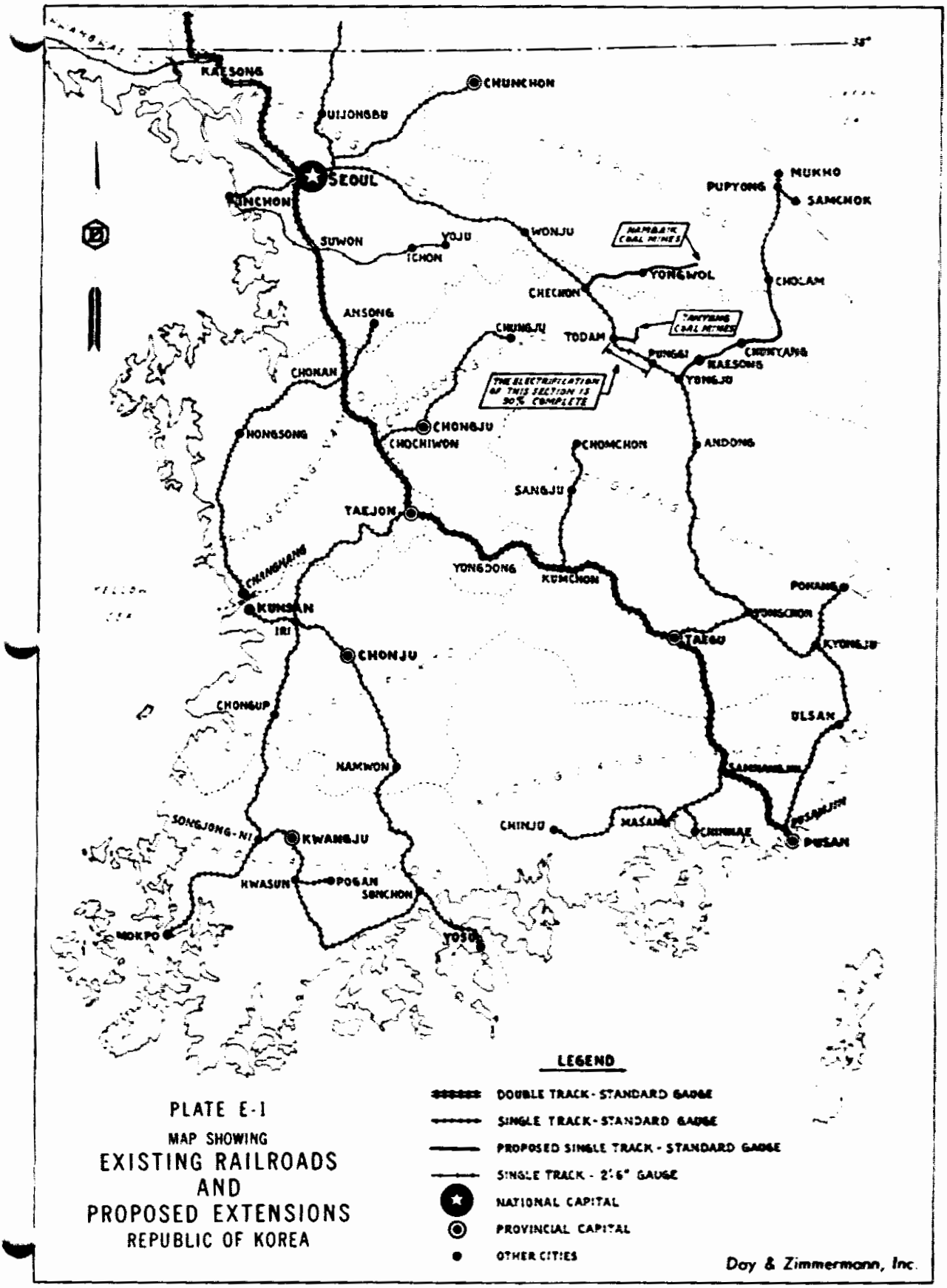
(c) Sumjin Gang Hydroelectric Plant--$750,000. This is a continuation of the project commenced in fiscal year 1950 for the completion of the Sumjin Gang hydroelectric facilities. This project, a combination of power, flood control, and irrigation, will provide not only urgently needed electric power but also additional water for the extension of controlled irrigation systems. Flood control made possible by the project will prevent extensive loss of rice from annual floods. Upon completion of the project an additional 16,000 KW of electric power will be available to Korea.

(d) Railroad Construction--$2,000,000. This project is a continuation of railroad construction work undertaken during fiscal year 1950. The rail system in South Korea consists of 2,025 miles of standard gauge main track including the double track main line in the west-central section of the country between Seoul and Pusan, the alternate single track line via Andong between the same terminals, and the short line near the East Coast known as the Samchok Railroad. The Samchok line connects the coal mining area in the vicinity of Cholam with the east coast port of Mukho and with several important industrial plants in the vicinity of Pupyong and Samchok. In the large east coast area between the two rail systems, there are numerous coal and ore deposits which must be developed in the expansion of the economy of South Korea and it is especially necessary that a rail connection be established between the two systems to facilitate the movement of coal, minerals and other commodities between the areas without resort to water transportation via a circuitous route at considerable additional transportation cost and much delay.

In order to provide a link to the East Coast and to tap the important coal mining and lumber areas between the existing rail lines as well as to provide rail service to the Yongwol steam generating plant (the largest in South Korea) the following rail construction projects were recommended:

Chechon-Yongwol-Cho Dong	Length	37.9 Miles
Tangyang-Sapyung	"	7.1 Miles
Yongju-Cholam	"	53.9 Miles
	Total	98.9 Miles


KAESONG
CHUNCHON
UIJONGBU
SEOUL
INCHON
SUWON
YOJU
ICHON
WONJU
NAMBAEK COAL MINES
YONGWOL
CHECHON
MUKHO
PUPYONG
SAMCHOK
CHOLAM
ANSONG
CHUNGJU
TODAM
TANYANG COAL MINES
PUNGGI
CHUNYANG
KAESONG
YONGJU
CHONAN
THE ELECTRIFICATION OF THIS SECTION IS 90% COMPLETE
HONGSONG
CHONGJU
CHOCHIWON
CHOMCHON
ANDONG
SANGJU
TAEJON
YONGDONG
KUMCHON
KUNSAN
IRI
CHONJU
TAEGU
KYONGJU
CHONGUP
ULSAN
NAMWON
CHINJU
MASAN
CHINHAE
PUSAN
SONGJONG-NI
KWANGJU
KWASUN
POSAN
SONCHON
MOKPO
YOSU
LEGEND
DOUBLE TRACK - STANDARD GAUGE
SINGLE TRACK - STANDARD GAUGE
PROPOSED SINGLE TRACK - STANDARD GAUGE
SINGLE TRACK - 2'6" GAUGE
NATIONAL CAPITAL
PROVINCIAL CAPITAL
OTHER CITIES
PLATE E-1
MAP SHOWING
EXISTING RAILROADS
AND
PROPOSED EXTENSIONS
REPUBLIC OF KOREA
Day & Zimmermann, Inc.

All these projected lines connect with the Seoul-Andong-Pusan line at the Chechon, Tanyang and Yongju stations and generally extend in an easterly direction. All three projects have been studied by United States engineering firms which agree as to the feasibility of construction as surveyed and designed by engineers of the Korean National Railways.

The Yongwol-Hambaik line will increase the facilities for transporting coal to the Yongwol power plant from various existing mines and from the new coal mining development at Hambaik. This line is now completed to the station of Songhok, which is 6.2 miles east of Chechon, and work is in progress on all sections between there and Yongwol. The project, estimated to be 24 per cent complete as of November 15, 1949, will be entirely in service about January 1, 1951.

The Tanyang-Sapyung line will provide rail service to the Tanyang coal mines. It was 62 per cent complete as of November 15, 1949 and should be entirely in service by July 1, 1950.

The Yongju-Cholam line will provide service to important mining areas and will connect with the existing Samchok Railroad at Cholam. As of November 15, 1949, it was 17 per cent complete and will require two-and-one-half years for completion.

The Korean National Railways are furnishing all labor for the new construction program and are providing all possible material from local sources. It is estimated, however, that assistance will be required in the amount of $5,277,137 over a three-year period, since large amounts of track and bridge material are not available in Korea. To date construction has been carried on with locally procured materials, imports financed with fiscal year 1949 funds and $2,630,000 (including ocean freight) in imports financed with fiscal year 1950 funds. During fiscal year 1951, it is proposed to provide $2,000,000 to purchase cement, angle bars, cross ties, rail, creosote, dynamite, structural steel, construction equipment and miscellaneous items, including ocean freight, to carry out the program as described.

(e) Fishing Vessels--$2,000,000. The funds requested will carry forward the fishing vessel construction project undertaken in fiscal year 1950. The fishing industry of Korea

is not only an important source of food for local consumption, but is one of the principal sources of exports. Before the war, Korea ranked sixth in the fishing nations of the world. In 1937, 537,819 metric tons of fresh fish were produced in South Korea. In 1948, the comparable catch was 285,000 metric tons. Fresh fish is the major marine product with shell fish, edible seaweeds, and sea animals next in importance. Since the disappearance of sardines from Korean waters in 1942, mackerel, bass, white fish and tuna have been the major types of fish caught. In 1949, $8,000,000 of marine products were exported from South Korea. For the first six months of 1950, it is estimated that exports of marine products will amount to $5,000,000 if the additional fishing vessels requested from fiscal year 1950 funds are made available.

To continue the rehabilitation of fisheries in Korea, it is necessary to add deep sea fishing vessels to the Korean fishing fleet and to replace smaller purse seiners lost through various causes such as old age, storms and fires. Deep sea fishing has been negligible in Korea since the Japanese occupation primarily due to lack of suitable boats. Inshore fisheries are comparatively well maintained, and with supplies of lumber and manila fibre and equipment requested elsewhere in this budget proposal or obtained with Korean exchange, should be in good operating condition. The types of vessels to be added to the fleet for offshore fishing are as follows:

20----- 30 ton 2 boat purse seiners
20----- 2 boat trawlers, tonnage varying from 50 to 95 tons
10----- 50 ton fish carrier boats
2-----100 ton whaling boats

These boats will probably be constructed in Japan and delivered under their own power. It is planned to finance the purchase of the boats by the fishing industry through a long-term purchasing plan. It is estimated that the new boats will add approximately 7,000 tons to the annual catch. The major portion of the catch will be exported as salted, dried, canned and otherwise processed marine products. The additional fish catch should assist in increasing the exports of marine products in fiscal year 1951 to an estimated $11,000,000.

(f) Coal Carrying Vessels--$2,000,000. This is a continuation of the project started in fiscal year 1950 for the construction of dry cargo ships for carrying anthracite coal from Mukho to other ports in Korea and for the coastwise transportation of other domestic products and ECA Aid Supplies. The construction of the five vessels scheduled for fiscal year 1950 provides for the replacement of the LST's now used for carrying coal. The program for fiscal year 1951 and fiscal year 1952 will provide for the replacement of the old Japanese-built vessels now being used and the Baltic Coasters on loan from the United States, which will be withdrawn upon the termination of the ECA program. During fiscal year 1951, it is proposed that four vessels will be constructed each with a cargo capacity of 2,600 M/T or a total cargo capacity of 13,000 M/T. Approximately $25,000 will be required for the services of one hull inspector and one machinery inspector.

The construction of these four vessels will contribute toward providing a small Korean-owned Merchant Marine capable of engaging in coastal trade and trade with Japan. The ships will be of a type easily operated and maintained by the Koreans and spare parts will be readily obtainable in Japan or Korea. These vessels will be powered by steam reciprocating engines and coal burning boilers. The elimination of requirements for petroleum products and machinery replacement parts needed for the present LST's and FS-type vessels, which have high-speed diesel engines of American manufacture, and for the American built Baltic Coasters, which have Uniflow engines, will effect substantial savings in Korean foreign exchange.

This project will provide sufficient water transportation to permit full development of the Samchok mines and industries. The Samchok area is one of the richest in coal and minerals and has plants producing soap, chemicals and other products. Unfortunately its location on the East Coast makes it relatively inaccessible to the centers of population and industry in the West and South.

(g) Cement Plant--$3,000,000. At the present time there is only one cement plant in South Korea. This plant is located in the Samchok area and is capable of producing 75,000 M/T a year if sufficient electric power and imported raw materials are received. It is estimated that South Korea's current cement requirements, primarily for construction projects and such other uses as railroads, dams, irrigation projects, roads, building

foundations and general engineering construction, are 450,000 M/T per year. In order for South Korea to meet a portion of its annual requirements and reduce cement imports, it is planned to construct a 250,000 M/T cement plant. $100,000 in fiscal year 1950 covers the cost of a preliminary survey to determine the most suitable plant site. Core drillings will be made for potential reserves of such materials as limestone, shale or other argillaceous materials, sand, and iron deposits as well as clay. The expenditure of $3,000,000 for fiscal year 1951 will include engineering services for the design of equipment, supervision of construction and operation of plant and training of Korean personnel, the purchase of required materials, such as cement, steel and lumber, and ocean freight.

Annual import requirements are estimated at 250,000 to 300,000 metric tons at a cost of $16 per M/T, or a total of approximately $4,800,000. Not only could cement be produced in South Korea at approximately one-half the cost of the present purchase price but local production would reduce expenditures of foreign exchange funds.

Consideration is also being given to doubling the capacity of the Samchok plant to 150,000 M/T a year, which with the new cement plant would provide South Korea with 400,000 M/T a year.

(h) Fertilizer Plant--$7,580,000. The economy of South Korea is primarily agricultural and imports of fertilizer are necessary to maintain production to provide domestic food requirements and to provide an exportable surplus of rice. The requirements of South Korean agriculture for nitrogenous fertilizer are estimated at 130,000 M/T per year in terms of net nitrogen. This amount of nitrogen, supplemented with other fertilizers in appropriate amounts, will provide South Korea with enough food for minimum domestic requirements and also provide an exportable rice surplus. The cost of importing this quantity of nitrogen at current prices, ($260 per M/T of 100 per cent nitrogen) would be about $36,700,000, an amount which is presently in excess of all South Korean exports.

In order to alleviate the drain on foreign exchange required for the purchase of nitrogen, it is proposed to construct a nitrogenous fertilizer plant with a capacity of 100,000 M/T of contained nitrogen per year. In the fiscal year 1950 program, $200,000 has

been included for engineering services to determine the type of plant to be constructed, the precise plant site, the coal and power requirements, and to prepare plans and specifications for the plant and equipment. It is also currently planned to place orders in fiscal year 1950 for a portion of the equipment needed, and in this way, expedite the date of completion.

It is estimated that one ton of nitrogen produces ten tons of rice. Figuring contained nitrogen imported from the United States at $260 a ton (1949 prices) and rice at $110 a M/T, the expenditure of $260 provides $1,100 worth of food. The exports of rice, providing foreign exchange for the importation of essential commodities such as cotton and bituminous coal, is a major factor in the development of the South Korean economy. Increased fertilizer usage is justified as a means of increasing South Korea's ability to export foodstuffs.

At the present time, the only facilities for fixed nitrogen production in South Korea consist of one calcium cyanamide plant at the Puksam Chemical Company. The plant has a capacity of 3,000 M/T of net nitrogen per year, which is only 2 per cent of South Korea's requirement. Essentially all commercial fertilizers used in South Korea since the war have been imported. One hundred thousand metric tons of contained nitrogen at $207 per ton, the lowest postwar quotation of nitrogen delivered in Korea, call for an outlay of $20,700,000. This is nearly as great as the estimated cost of the proposed plant ($25,300,000) of 100,000 M/T annual capacity. The proposed ECA contribution to the total cost of the plant would be $15,300,000 over a two-year period. Moreover, it is not expected that nitrogen could be delivered in Korea at substantially lower prices in the future for the following reasons:

(a) Although Japan may have an exportable surplus of fertilizer, Korea will need all available exchange earned in Japan for other essential imports not available in Korea.

(b) Formosa and other Far Eastern regions are deficient in fertilizer.

(c) The use of commercial fertilizers is increasing rapidly in the United States, having more than doubled since before the war.

Preliminary estimates have been made for both ammonium sulfate and ammonium nitrate plants to provide the nitrogen fixation facility required by South Korea. Although the

Korean farmers are accustomed to using nitrogen in the form of ammonium sulfate, an ammonium nitrate plant offers the following distinct advantages over an ammonium sulfate plant:

(a) The ammonium sulfate plant total cost, including local currency expenditures for materials and labor is estimated at $26,100,000. The ammonium nitrate plant cost is estimated at $25,300,000, a difference of $800,000.

(b) To make 100,000 M/T of net nitrogen as ammonium sulfate, (470,000 M/T per year of pure ammonium sulfate) sulphur imports amounting to $2,600,000 per year would be required. No raw materials would have to be imported for the production of the equivalent quantity of ammonium nitrate (282,000 M/T of pure ammonium nitrate).

(c) The ammonium nitrate is more economical to bag and transport because it is more concentrated.

(d) The continued use of ammonium sulfate tends to introduce an excess of sulfate radical into the soil, leading to soil acidity and increasing the lime requirements for growing crops--especially leguminous crops.

The proposed nitrogen fixation plant consists of the following:

(a) A plant for the generation and purification of a mixture of hydrogen and nitrogen.

(b) A plant to synthesize ammonia from the generated gas mixture.

(c) A plant to convert half of the ammonia to nitric acid.

(d) A plant to produce ammonium nitrate by re-acting ammonia with nitric acid, and to provide handling, bagging and storage facilities for the product.

(e) A power plant to service the other units with steam, electric power and water.

The gas generator and the power plant together will consume 450,000 M/T of coal per year. This is the only raw material requirement. This requirement can be met from the expected increase in domestic production of anthracite coal.

The major items of equipment required are steam power plant equipment, water gas generators, catalytic gas purifiers, gas purification absorbers, compressors for gas, ammonia and acid plants, catalytic towers for ammonia plants, oxidation converters for the nitric acid plant, and acid absorption towers. Approximately $600,000 to $700,000 will be required in fiscal year 1951 for engineering services. Procurement will be initiated in fiscal year 1951 on those major items requiring the longest time for manufacture such as the steam power plant equipment, catalytic gas purifiers and compressors for gas, ammonia and acid plants.

In the event of unification at some subsequent date fertilizer production facilities in North Korea are adequate only to meet the nitrogen requirements of North Korea.

(i) Bridge Construction--$1,000,000. It is planned to continue the program of bridge construction begun in fiscal year 1950. The highway network of South Korea in the country districts and between larger cities consists of roads surfaced with gravel and earth. These roads are adequate for the needs of the country provided the system of bridges over the many streams and rivers in the mountains of the Korean countryside are kept in repair. Many bridges are washed out in the spring floods and in the summer rainy season. A program of bridge construction is essential if the highway network is to perform its function. As a factor in economic rehabilitation, adequate highways are essential to facilitate the distribution of imported supplies as well as the movement of goods from production centers to consuming areas and ports. An effective highway system will not only assist in increasing the movement of goods, particularly with respect to agricultural and mineral products which in many instances must be transported from isolated localities, but will also contribute towards lowering production costs. The bridges to be constructed will provide additional stream-crossing facilities adequate at all seasons thus alleviating interruptions to highway traffic and increasing the effectiveness of the existing highway system.

The major items required are approximately 26,000 tons of cement, 1,113 tons of reinforcing bars, and 5,400 tons of I beams.

(j) Irrigation and Land Reclamation--$1,500,000. The funds requested are for the continuation of the irrigation and land reclamation program begun in fiscal year 1949 by the Korean Government and continued in fiscal year 1950 with ECA funds. The entire program phased over a three-year period is designed to:

(a) Provide complete, controlled irrigation facilities for an additional 304,844 acres of rice land in 369 separate projects.

(b) Reclaim and provide irrigation facilities for 10,175 acres of tidewater lands along the Yellow Sea in 21 different projects.

(c) Furnish partial or supplemental irrigation facilities to 112,269 acres of rice land in 2,871 small communities.

(d) Improve irrigation facilities on 36 existing projects with a total area of 179,078 acres; and

(e) Provide flood damage repair to numerous areas, particularly areas of tidewater lands which were damaged by the typhoon of July, 1948.

The program includes projects started by the Japanese and by the United States Military Government, which were still unfinished as of January 1, 1949. These unfinished projects are 95 original irrigation projects each ranging from 165 to 17,519 acres in area; extensions to 11 existing projects ranging from 172 to 7,907 acres in area; 15 tidal land reclamation projects ranging from 79 to 444 acres in area and improvements to existing facilities on 6 operating projects.

The major items to be procured to carry out the program for fiscal year 1951 are: cement; steel reinforcing bars; dynamite; poles; logs; and earth moving equipment.

The entire economy of Korea is dependent upon rice production. Since rice must be relied upon in the future to provide Korea with a substantial part of her necessary foreign exchange in addition to feeding her ever-increasing population, an increase in production by all

feasible means is essential. The extension of irrigation facilities is one method by which production can be increased. Records show that the average annual production in lands with complete irrigation facilities is approximately double that on lands without such facilities. This was strikingly shown in 1949 when due to drought in parts of three provinces, less than 25 per cent of the non-irrigated rice lands could be planted and production on the area planted was less than 25 per cent of the normal, while production on the irrigated land in the same area was above normal.

The estimated total average annual increase in polished rice to be gained by completion of the works proposed in the program which would be completed by the close of fiscal year 1952, is approximately 220,000 M/T.

(k) Flood Control--$400,000. The annual rainfall in South Korea ranges from 47 to 63 inches. This would not be excessive except that more than 60 per cent of the annual precipitation occurs between June and August and 30 per cent of it often occurs within 15 days. Records of the past 30 years show the following peaks: maximum monthly rainfall - 1111 mm (44 inches), maximum three day rainfall - 858 mm (30 inches). Such precipitation on the type of steep, denuded terrain found in Korea results in a torrential runoff and devastating floods.

The floods result in heavy loss of life and property. Vital rice crops are lost, buildings and bridges are lost, railroads, highways and communication lines are washed out. Records show that unusually severe floods occur once in ten years and the average flood occurs once in three years.

Existing flood protection consists of a levees system established by the Japanese to protect the 296,520 acres of rice lands directly owned by them. The remaining lands still subject to inundation are without any protection except the poorly built levees constructed by the local farmers whose land is threatened.

In South Korea more than 70 per cent of the people are farmers. Rice farming is of primary importance in the national economy. Large losses of rice crops through floods are a constant threat to economic stability and reduce the availability of cereals for domestic

consumption and for export. Not only is rice lost by river flooding, but valuable rice land is destroyed.

The river flood control work envisaged consists of deepening the existing channels and constructing levees to keep the rivers within proper bounds. The principal materials required are 17,180 tons of cement, 408 tons of reinforcing bars, 93 tons of rock drill steel, 88 tons of dynamite, blasting caps and fuses.

The direct economic effect of this year's flood control program will be to increase the protection against loss of life, property and crops and thereby increase rice production.

It is estimated that the program proposed for fiscal year 1951 will protect an additional 269,200 acres of rice land and an additional 57,455 homes. Past records indicate that one metric ton of rice is saved for every 2,471 acres of rice land that is protected from flooding. On this basis the proposed program would result in a saving of approximately 110,000 M/T of rice.

(1) Saltern Construction--$44,000. Salt requirements in South Korea, including home consumption, agricultural, fishing and industrial needs, are estimated at 305,000 M/T a year. This estimate is based on the standard minimum basic salt ration of 10.2 kilograms per person for home consumption. The per capita requirement including industrial usage is 12.7 kilograms per year based on a population of 21,000,000 persons. There are no known mineral salt deposits in South Korea. Local salt production is primarily by means of solar evaporation of sea water in ponds called salterns. These salterns are producing approximately 135,000 M/T a year or about 45 per cent of estimated total requirements and through lack of repairs and maintenance potential and actual yearly production have been decreasing. Unless existing salterns are rehabilitated and new ones constructed carrying on the program undertaken several years ago by the Monopoly Bureau, Ministry of Finance, to make Korea self-sufficient in salt, yearly imports of salt will have to be increased in order to meet minimum requirements. It is anticipated $151,000 will be expended during fiscal year 1950 for the construction of 1,838 acres of new salterns. The $44,000 requested for fiscal year 1951 will be for the procurement of 1,000 M/T of cement, 250 M/T

of 15-pound steel rail, 21 M/T of reinforcing steel, and 40 M/T of galvanized sheets for construction of an additional 1,397 acres of salterns and completion of those under construction. It is estimated the new salterns upon maturity will yield approximately 80,875 M/T of salt.

(m) Harbor Dredging--$440,000. During the war years of Japanese occupation, dredging, maintenance, and repair work on Korea's port facilities were neglected. Silting in the harbors and entrance channels has now reached the critical stage where it is beginning to interfere with all shipping. Increased dredging is required in order to put the harbors and channels to more effective use, and make them suitable for the larger vessels which are now coming into Korea particularly the main ports of Pusan and Inchon. Prior to 1942, with the use of four dredges, approximately one million cubic meters of silt were excavated annually from the principal ports of South Korea.

(n) Flat Glass Plant--$550,000. At the present time there are no flat glass installations in South Korea with the exception of several small factories, where glass is manually blown. The production from these plants is negligible. The estimated requirements for flat glass for fiscal year 1951, primarily for transportation, industrial and construction purposes, is estimated at 14,000 metric tons. In order to meet part of Korea's requirement, it is proposed to construct a sheet glass factory with a yearly capacity of 180,000 cases or 12,000 metric tons, thereby saving $900,000 annually for imported materials. Most of the raw materials required for glass manufacture are available in South Korea with the exception of soda ash and Glaubers salt. All glass produced will be consumed domestically. It is estimated the cost over a two-year period of a flat glass plant of this capacity would be approximately $1,000,000 including engineering services required to supervise the installation. The expenditure of $550,000 contemplated in fiscal year 1951 includes engineering services, equipment and ocean transportation.

8. SURVEYS AND OPERATING CONTRACTS

		Estimate FY 1950	Estimate FY 1951
(a)	Jacona and Electra	$ 563,000	$ 525,000
(b)	Baltic Instructors	199,000	250,000
(c)	Pusan Marine Base	177,000	215,000
(d)	Hydroelectric Potential Survey	100,000	235,000
(e)	Kimpo Airport	630,000	400,000
(f)	Handicraft Export Survey	120,000	none
(g)	Chartering & Repair of Vessels	100,000	none
(h)	KOSCO Agreement	61,000	none
		$1,950,000	$1,625,000

(a) Jacona and Electra - $525,000. The power ship Jacona is on loan to ECA from the Department of the Navy and the power barge Electra is on loan from the Department of the Army. Together, they have a rated capacity of 24,800 KW. Due to the delay in the construction of the thermal plants budgeted in fiscal year 1950 and the continued shortage of power, it is necessary to continue the operation of these power barges in fiscal year 1951, even if the existing thermal plants are enabled to generate at boiler capacity. The agreement under which these power vessels were loaned to ECA specifies that they shall be operated under American supervision and technical direction. A contract providing for their operation by an American firm was signed in Washington on June 15, 1949. The amount requested above is for payment of salaries and travel expenses for a staff not to exceed 60 persons, fees, and the purchase of spare parts and maintenance supplies.

(b) Baltic Instructors - $250,000. The Department of the Army has loaned seven Baltic Coasters to ECA for use by the Republic of Korea in the coastwise transportation of aid supplies and indigenous products. Due to the present lack of adequate rail and marine transportation, the continued use of these vessels is essential if economic recovery is to be accomplished. Their net cargo lift is 10,100 M/T, or 30 percent of the total

net cargo lift of the Korean merchant marine. The money requested here is for the continuation of the program started in fiscal year 1950 to provide 19 American instructors to insure proper maintenance, operation and safe navigation of these vessels and to train Korean personnel in marine operations so that eventually American supervision of the larger merchant vessels will not be required.

(c) Pusan Marine Repair Base - $215,000. This is a continuation of the program started in fiscal year 1950 to furnish technical assistance to the Korean Shipbuilding Corporation in the operation of the Marine Repair Base in Pusan. Before Liberation this base contained complete equipment for building and repairing ships of all sizes up to 6,000 tons. With the removal of Japanese technicians in 1945, operations came almost to a complete standstill owing to the lack of qualified management and technical personnel. The money requested here will provide for 16 Americans who will have complete charge of technical work and training and will advise the Korean officials on administrative matters. When the base is placed in full operating condition, it will be able to handle all repairs to Korean merchant and fishing vessels and will enable the construction of harbor craft, fishing vessels and, eventually, coastal merchant ships. This will save foreign exchange which at present is used for repairing and purchasing vessels in Japan. Funds for new supplies and machinery to reequip the base are being requested separately.

(d) Hydroelectric Power Potential - $235,000. It has been estimated by various engineering survey groups that the demand for power in South Korea will be 300,000 KW by the end of 1955. The present rated capacity is only 225,000 KW, including two power barges on loan from the United States Government which have a rated capacity of 24,800 KW. It is expected that these barges will eventually be removed. In addition, much of the present rated capacity is not firm, due to fall and winter declines in the availability of water for the hydroelectric plants and to the shortage of coal to operate the thermal plants at capacity. Present production is about 78,000 KW. If industrial recovery is to be accomplished, it is imperative that additional firm capacity be provided. Due to lower operating costs and the lack of sufficient indigenous coal, a long range program should be mainly in the field of hydro instead of

thermal production. The Japanese carried on extensive surveys of the hydroelectric potential of South Korea before the end of the war, but much of the available information is inadequate or contradictory. It was therefore decided to undertake a survey of the hydroelectric power potential in fiscal year 1950. This survey is now in progress. The money requested here is for the completion of that survey. The sites being examined with their estimated capacity are as follows: near Kunsan - 39,000 KW; two on the Han River between Chungju and Yoju - 96,000 KW; on the North Han River - 18,000 KW; near Imkei on the east coast - 78,000 KW.

(e) Kimpo Airport - ₩400,000. Kimpo is the airport for Seoul, the capital city. It is the only airport in Korea with runway facilities adequate to service trans-Pacific aircraft. The safe and efficient operation of this airport is necessary for the functioning of the Aid Mission and other United States agencies concerned with the development of Korea. The Civil Aeronautics Administration, which is responsible for the supervision of the airport under the general direction of the ECA Mission to Korea, has arranged a contract with an American firm for its operation. The money requested above will pay salaries and fees for the operating company, the Civil Aeronautics Administration, and the Weather Bureau and will provide for maintenance supplies which must be imported. All local materials and labor costs will be paid by the Korean Government. A training program for Korean personnel begun in fiscal year 1950 will be continued so that in the near future they will be able to operate the airport without American supervision.

9. OCEAN FREIGHT

	Estimate FY 1950	Estimate FY 1951
(a) Transportation of Relief Packages	$ 60,000	$ 60,000
(b) Transportation on Previous Fiscal Year Shipments	4,776,000	none
Total	$4,836,000	$ 60,000

(a) Relief Packages - $60,000. An estimate of $60,000 has been entered to cover cost of transportation of relief packages in anticipation of enabling legislation applicable to Korea and containing language similar to that contained in Section 117(c) of PL 472.

Note: Other expenditures programmed in this Budget request have been completed on a cost and freight basis, principally because procurement will be made in that manner. It is estimated that shipping costs for fiscal year 1951 will total approximately $19,400,000.

10. TECHNICAL ASSISTANCE

		M/T	Estimate FY 1950	Estimate FY 1951
(a)	Management and Training		$ 1,800,000	$ 1,650,000
(b)	Technical Training Institute		475,000	430,000
(c)	Training Koreans in United States		410,000	129,000
(d)	Special Training and Assistance Projects		150,000	170,000
(e)	Training Supplies and Equipment	1,000	912,000	400,000
		1,000	3,747,000	2,779,000

General Statement - Technical Assistance Program

A technical assistance program is of key importance to Korean economic recovery. During the forty years of Japanese occupation and exploitation, Japanese occupied virtually all important positions in Korea's government, finance, industry, mining, transportation, communications and tra The return of Japanese residents to Japan created a vacuum at managerial and technical levels in these fields of activity. The technical assistance program is designed to train and assist the Koreans in managerial and technical functions, as well as to provide the supplies and equipment re quired for demonstration and testing purposes.

(a) Management and Training - A major portion of the personnel of the ECA Mission to Korea (144 of 200 at the beginning of the year and reducing to 120 of 170 by January 1951) will be assigned to advisory technical functions because Koreans with adequate knowledge, experience, and training are not yet available in sufficient numbers. This group will advise and assist Koreans in many managerial and technical aspects of industry, mining, finance, transportation, communications, and trade, as well as in various phases of government administration. It will also provide extensive "on-the-job" training in the conduct of technical activities.

Organizationally, the American personnel are interlocked with the employees working on the administrative or overhead functions. By so doing, the supervision problem is reduced to a minimum without impairment to the efficiency of the Mission organization.

The following tabulation reflects the distribution of American personnel by major units of organization on Management and Training Program.

Management and Training Estimate

Organization Unit	Estimate 1950 Number	Estimate 1950 Salary	Estimate 1951 Number	Estimate 1951 Salary
Office of Chief of Mission	5	$ 37,410	5	$ 40,110
Requirements	13	75,210	10	55,780
Supply and Distribution	19	105,570	-	-
Trade and Finance	12	94,680	14	103,660
Food and Agriculture	22	176,450	16	125,560
Industry and Mining	29	213,160	25	188,180
Electric Power	9	68,850	7	53,940
Transporation and Communications	32	233,280	29	217,350
Technological Training	33	251,920	14	105,770
All other Offices	23	123,760	24	158,700
Total employees (United States)	197	1,380,290	144	1,049,050
Foreign nationals (net)		45,000		50,000
Total permanent field		1,425,290		1,099,050
Deduct lapse (net)	40	- 251,340	4.	- 29,200
Deduct savings thru use of local currency		- 45,000		- 50,000
Net permanent field	157	1,128,950	140	1,019,850
All other 01 Expenses		202,050		210,320
01 Personal Services		1,331,000		1,230,170
All other objects		469,000		419,830
Total estimate		1,800,000		1,650,000

(b) Technical Training Institute - In order to supplement the technical training program in Korea carried on with the guidance of consultants on the Technical Training Division Staff, there was established in January 1950, as a part of the fiscal year 1950 program, the Korea Technical Institute. The instruction program for the Institute is determined by Korea's basic economic needs and is therefore directed to a large extent to training for skilled jobs, by American and Korean teachers. Training is also provided for vocational instructors, key technicians, plant supervisors and plant foremen in the practical application of technical skills and related supervisory, administrative and educational functions.

The Korean Technical Institute is being operated through its first year by an American non-profit educational institution. Korean instructors are being trained to take over the operation and management of the Institute as soon as it is possible. The curriculum is being gradually expanded to include all of the basically essential skills. Therefore it is necessary to maintain a substantial number of American instructors for a second year. It is planned to amend the contract with the American educational institution so as to continue its services through fiscal year 1951.

Buildings and equipment available in Korea are provided by the Korean government, as well as the salaries of all Korean instruction personnel and scholarship and living allowances for deserving students. Essential supplies and equipment were procured from the United States during fiscal year 1950 for the machine, electric and sheet metal shops. Basic equipment was also procured for the physics and agricultural and fisheries phases of the Institute's program.

The Institute is in need of supplies and equipment in fiscal year 1951 estimated at a cost of $134,000 for the industrial phase of the program, $7,700 for the agricultural and $5,800 for the fisheries. The $134,000 requested for the industry phase of the program will provide material and equipment to expand the machine, electric and sheet metal shops and to permit the addition of training in electrical and communications work. In addition the salary requirements for the American teachers amounts to $141,500 for the industrial group, $95,000 for the agricultural and $46,000 for the fisheries. The total estimated requirements for the Institute are $430,000 including ocean freight on supplies to be procured.

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(c) Training of Koreans in the United States - In the fiscal year 1949, 18 Korean specialists were sent to the United States to observe and study American industrial and agricultural techniques and practices. During the fiscal year 1950 an additional sixty-five specialists were sent for a similar purpose. The benefits of such projects upon the industrial recovery of South Korea make it essential to provide funds for the continuance of this program during the fiscal year 1951. It is therefore, proposed to send about thirty-six Korean trainees to the United States for technical training in selected fields. Koreans with a knowledge of English will be selected whenever possible and, in addition, prior to leaving Korea, will be given an intensive course in English. Special English training facilities now being established by the State Department in Korea will be used. In the United States, the specialists and trainees will be placed in American plants, fisheries, farms and agricultural experiment stations including both private and government agencies. Their itinerary and plan of work will be closely supervised by ECA staff members and by persons selected by ECA in the places where trainees are assigned. The training received by the Koreans will be of a practical nature as opposed to academic technical training and will fit them for operating tasks upon their return to Korea. The breakdown of the estimated cost of the program on the basis of 36 persons and average period of observation of seven months inclusive of travel, follows:

Item	Expense	Cost per Person
Living Allowance	$6.00 per day - 180 days	$1,080
	$10.00 per day - 28.5 days	285
Transportation	Korea to United States and return	1,467
	In U. S. on inspection trips	150
Insurance	Against accident, sickness	50
Tuition	Amount charged at Dunwoody	280
Special Tutoring	" " " "	150
Supplies	Books, laboratory equipment, tools, etc.	100
All Other		21
	36 Trainees at $3,583 - $129,000.	$3,583

(d) Special Training and Assistance Projects

(1) Ceramics Project: Marketing Survey and Training--$30,000. Some of the world's finest clays are found in great abundance in Korea. Under Japanese domination technical "know how" for producing ceramics was totally missing because these clays for the most part were shipped to Japan for processing. Here is an indigenous industry in the making, with all necessary materials locally available. All that is lacking is technical assistance and training including marketing. It is planned that market surveys and exploration be undertaken together with research and experimentation with ceramics processing and the training of Korean personnel. The total cost is estimated at $30,000.

(2) T. W. I. Program--$30,000. A program of training vital to the economic recovery of Korea is the Training Within Industry Program for Job Instructor Training (JIT), Job Methods Training (JMT) and Job Relations Training (JRT). These programs were of major significance in the wartime industrial production of the United States and have continued to be a vital force in the increase of productive efficiency of American industries. These same values can be effective in Korea if leadership can be provided to train Korean key personnel to carry on the TWI activity continuously. This is a program of major importance, continuing the work begun on a very modest scale in fiscal year 1950. The requested $30,000 will cover the cost of the services of American consultants, transportation, and manuals, and other training media.

(3) Translation of Text--$30,000. Requested funds will be used to procure material and equipment for making reproductions not available in Korea. Most of the technical texts and manuals prepared in Korea thus far are extremely short of illustrations, charts and diagrams because of lack of adequate materials and equipment for reproduction. Some of the graphic material for texts and manuals will be reproduced in the United States because of the lack of adequate facilities in Korea. Actual translation work and routine reproduction will be performed by Korean individuals and firms at local expense.

(4) Special Training Projects - ₩80,000. Request is made for funds to cover needs for special projects during fiscal year 1951. It is deemed high desirable to include this flexibility in the technical training program for Korea. The relative urgency for technical training requirements over and above that specified is expected to change during the course of the year. Therefore, as need develops, special projects such as survey of iodine production possibilities and related training requirements together with a program for developing the necessary technicians, will be submitted for approval. Other projects relate to the chemical industry, which is not covered in the regular technical training program. Dollar expenditures for these special projects will be withdrawn from the ₩80,000 fund.

(e) Training Supplies and Equipment

(1) Industry Program - ₩242,000

(a) Engineering College (Seoul National University) - ₩31,000. Funds are needed to continue and complete the program started in fiscal year 1950 to provide the laboratories of this large institution (enrollment 1950, 1168) with adequate equipment and necessary supplies for the training of engineering and technical personnel. In fiscal year 1950 Chemistry and Physics laboratories were provided with equipment for study and research in these two sciences. It is now necessary to secure additional supplies and equipment not available in Korea for the mechanical, electrical and power engineering laboratories. ECA consultants will assist with installation and preparations of the equipment for effective use.

(b) College of Education - ₩10,000. This institution trains many of the science teachers for the Middle Schools of Korea. It is important that these teachers be well grounded in the basic sciences of Physics and Chemistry. Laboratory instruction in these sciences was not avail-

able to Koreans under Japanese domination. It is estimated that basic courses in both physics and chemistry can be provided if certain equipment not available in Korea can be provided through ECA funds. ECA consultants will assist with installation of equipment and with the preparation of associated teaching manuals.

(c) Hanyang Technical College - $10,000. This institution with a 1949/50 enrollment of 292 is in need of additional equipment, not available in Korea, for continuing and completing the program initiated under ECA in fiscal year 1950. Last year the laboratories for basic courses in physics and chemistry were modestly equipped with the aid of ECA funds. It is now necessary to add some greatly needed modern equipment in the electrical and mechanical laboratories

(d) Normal Schools (2) - $21,000. There are several normal schools in Korea which the Ministry of Education considers important to the training of teachers for the Middle Schools. Two of these normal schools are considered to be of major significance in meeting immediate teacher training needs. It is proposed to assist these two schools to secure much needed equipment for the physics and chemistry laboratories. Installation of equipment will take place with guidance from ECA consultants who will also assist with preparation of laboratory manuals.

(e) Technical Middle Schools - $24,500. Funds are needed to continue and complete the fiscal year 1950 program for the rehabilitation of laboratories in twelve Technical Middle Schools. Many laboratory items needed, as well as small tools, reference books and teaching manuals, are not available in Korea.

(f) Central Research Laboratories and Weights and Measures Station - $108,000. Funds are needed to continue the development, maintenance and custody of basic reference standards; the adoption and admini-

stration of a uniform system of weights and measures; the sponsoring of an industrial standardization program; the testing of materials for government agencies; private concerns and for private industries in certain cases; the furnishing of technical assistance and advice to government agencies and private concerns on scientific and technical problems; the planning of a research program for the development of new processes and techniques for Korean industry; and the publication and distribution of technical bulletins in the fields of science and engineering. The funds requested are primarily for the purchase of much needed scientific equipment and instruments which are not available in Korea.

(g) In-Service Training - $19,000. These funds are needed to furnish greatly needed supplies not available in Korea, for instruction of all levels of supervision, as well as job operators, in the industrial plants of Korea. These supplies include technical reference books, special measuring devices, gauges, models, visual aids and projection equipment including slides and films.

(h) Industrial Books, Periodicals, Manuals, Etc. - $4,500. Funds were requested in the fiscal year 1950 program for the purchase of a limited number of scientific texts, manuals, books and technical journals required to improve the reference and library facilities of technical research and educational institutions. No technical books or professional journals have been available since the war and in many instances since 1938. Scientific and professional journals are needed to enable Korean educators to keep abreast of current developments in their respective fields. Technical Middle Schools are extremely short of text material. United States procured texts will facilitate the preparation of Korean texts for classroom and reference purposes. The funds requested will permit the continuation of selected professional journals and the acquisition of a limited number of technical books needed to further expand the library facilities of research and educational agencies.

(i) Audio-Visual Aids - $14,000. The requested funds will provide for the purchase of Audio-Visual Aid material in addition to that provided for in the fiscal year 1950 program. Visual presentation of training programs has proved to be the most effective method in reaching Korean students in all fields as well as providing education for the general public. Sound training films, film strips and slides, as well as projection equipment, will be purchased for use in the technical colleges and middle schools and research institutions. The requested funds will also enable the purchase of material not available in Korea for the purpose of preparing charts and models for training projects in schools and in industry.

(2) Agriculture Program - $158,000.

(a) Agricultural Experiment Station - $26,500. Research laboratories need essential equipment and supplies which have not been available since the war. An effective program of research is basic to increased production. Laboratory and other research equipment are inadequate or nonexistent at most stations, and must be secured from outside of South Korea. Funds requested in the fiscal year 1950 program were for the purpose of making possible some analytical research, and for farm equipment needed to conduct research in upland agriculture. Funds requested in the fiscal year 1951 program will be used to improve the equipment of laboratories needed for research in the basic sciences, especially chemistry and soils, biology, botany and plant physiology. Some funds will be used to acquire laboratory and farm equipment needed for soil conservation research, and for farm management studies on upland soils. A small quantity of seeds will be procured for test purposes to determine their value and application to Korea.

(b) Agricultural Extension Service - $44,500. Increases in agricultural production are conditioned upon the widespread introduction and adoption of improved production methods including the use of better seed, crop rotations and sound lime and fertilizer practices. The agricultural Extension

Service was established as the principal agency for carrying out educational and demonstration programs for agriculture. Funds requested in the fiscal year 1950 program provided the Extension Service with a minimum of essential teaching aids and equipment. Additional funds are requested in fiscal year 1951 program for expanding the means of reaching and influencing farm people, and of actively promoting needed production adjustments.

Approximately half of the funds requested are for trucks which will be fitted out as mobile educational and demonstration centers, with equipment and supplies for handling large meetings of farmers, soil testing, for conducting demonstrations and exhibits. One such mobile unit is planned for each province. Some forge and shop equipment for farms will be provided to demonstrate and encourage farm repair and construction of simple tools. A small stock of high quality seed for test demonstration work will be purchased. Additional essential aid and teaching equipment will be purchased in order to round out the basic materials needed for effective extension work.

(c) Agricultural and Veterinary College - $23,000. Essentially no new clinical or laboratory equipment or chemical supplies have been available to the agricultural or veterinary colleges since before the war. For this reason instruction in these basic sciences has been seriously curtailed or suspended. Laboratory instruction must be materially expended and improved before standards of curricula and instruction can be considered adequate. In the fiscal year 1950 program $5,000 was allocated to Suwon Agricultural College for the purchase of a small amount of laboratory equipment and supplies to meet the imperative need for raising the quality of instruction and for additional practice time in the basic sciences. No provision was made for the four other agricultural colleges located at Iri, Taegu, Chinju or Chunchon or for the Veterinary College at Seoul.

The amount requested in fiscal year 1951 program will be used to provide minimum requirements for laboratory equipment and chemical supplies

needed to permit the introduction or improvement of laboratory instruction and practice in the basic sciences. The junior colleges have no laboratory facilities or equipment at present and provide no laboratory instruction. The funds requested will be allocated to the Veterinary college and to two senior and junior agricultural colleges to permit the acquisition of essential equipment and supplies necessary for basic laboratory instruction and practice in chemistry, physics, biology and related subjects.

(d) Agricultural Middle Schools - $38,100. Except for a very small proportion of students the agricultural middle schools provide the highest level of instruction available in South Korea. Due to lack of laboratory facilities most students complete their formal education without instruction and training in crop production. Since the war replacement tools and farm equipment have not been available.

Funds requested in the fiscal year 1950 program were allocated to the 53 middle schools that provide six years of instruction in order that the better trained graduates might available to fill needed positions in research and education. The amount requested in the fiscal year 1951 program will be used primarily to further improve and expand the laboratory equipment and facilities and the quality and quantity of laboratory instruction in basic sciences. A portion of the funds will make possible the addition of some new and modern farm tools and equipment in the 53 six year schools. All equipment and supplies will be used for instruction and demonstration purposes.

(e) Agricultural Books, Periodicals, Manuals, Etc. - $1,600. Funds were requested in the fiscal year 1950 program for the purchase of a limited number of scientific texts, reference books and technical journals needed to improve the basic reference and library facilities of the research and educational institutions. No technical books or professional journals have been available since the war and in many instances since 1938.

Scientific and professional journals are the usual and accepted means of disseminating information on current developments in the various fields of agriculture, and are an essential tool to research workers and teachers. Students need access to modern scientific books and journals if they are to receive proper training and knowledge of modern agricultural practices and thought. The funds requested will permit the continuation of selected professional fournals, and the acquisition of a limited number of technical books needed to further expand the library facilities of the research and educational agencies.

(f) Audio-Visual Aids - $3,800. Audio-visual aids are an effective means of improving and expanding agricultural instruction. They are particularly appropriate in a country such as South Korea where the literacy rate is relatively low. Funds were requested in fiscal year 1950 for visual aids, chiefly photographic equipment for the Agricultural Extension Service. A substantial increase for audio-visual aids is requested in fiscal year 1951 in order to provide the agricultural colleges and middle schools with modern teaching aids. Sound pictures, film strips and slides together with projection equipment for laboratory and lecture material are especially needed. Simple sound recording and projection systems can be used to expand the number of students and farm people reached through classroom instruction and farmers meetings. Laboratory, lecture and field instruction can be greatly expanded and improved through the introduction and use of a limited number of audio-visual aids.

(g) Fisheries College and Middle Schools - $13,400. Technicians for the fisheries industry are trained in the 13 fisheries middle schools and the fisheries college located at Pusan. Since before the war these educational institutions have been unable to acquire new or replacement equipment and supplies necessary for proper instruction in laboratory and practice subjects. At present, all laboratory courses are either material-

ly curtailed or suspended. Students have no opportunity to acquire training or skills in these vitally important fields. Greatly expanded laboratory training is necessary and students and teachers must have access to the technical knowledge and practices that have been developed in recent years.

Funds requested in the fiscal year 1951 program will be used for the purchase of laboratory and shop equipment, chemicals and supplies necessary to permit the resumption or expansion of laboratory and shop training. A number of modern technical books and professional journals must be added to existing library and reference facilities. Some selected items for audio-visual training and teaching aids will be procured. The amount requested is to cover basic needs for improved and more complete training of students and technicians in the aspects of fisheries particularly applicable to South Korea.

(h) Fisheries Experiment Station - $5,500. Very little research work is being conducted by the fisheries experiment station due to lack of equipment and supplies. No supplies have been available for many years and stocks have been exhausted and equipment worn out. In order to make possible a resumption of even limited research, funds are requested in the fiscal year 1951 program for the purchase of basic analytical apparatus and laboratory equipment together with a small supply of essential chemicals and supplies. A limited sum willbbe used to purchase modern technical reference books and professional journals that are basic research requirements. A portion of the funds requested will be used for research equipment, tools, etc., necessary to carry on field research. All items of equipment and supplies are essential to fisheries research and are necessary if the experiment stations are to initiate and conduct programs in this important field.

(i) Forest Experiment Station - $1,600. The forest experiment station and branch nurseries conduct basic research in all phases of silviculture and forest management. Funds are requested in the fiscal year 1951 program

for the purchase of a few items of research and laboratory equipment and chemical supplies needed to conduct present work and to undertake new projects. Most of the funds will be used to procure equipment and supplies for the experiment station laboratories. The purchase of a few items of nursery equipment and simple machines is planned.

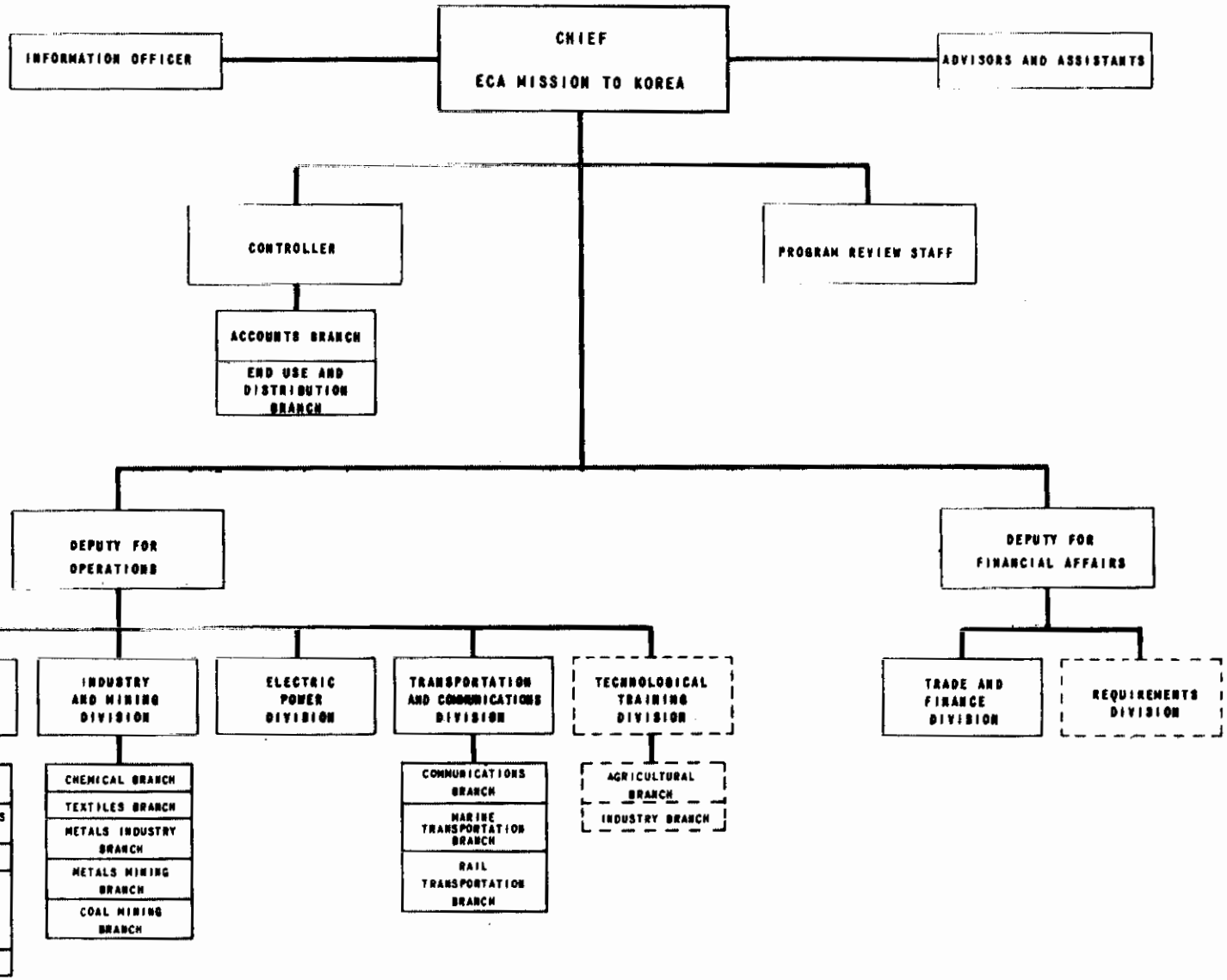
PART IV

ADMINISTRATION, APPROPRIATION LANGUAGE AND "GREEN SHEETS"

Project 11. Administration

The material immediately following this page furnishes detailed information on the administrative organization with cost estimates, function by organizational units, personnel requirements, and related data. Also in Part IV will be found proposed appropriation language, and consolidated green sheets of funds available, obligations by projects, obligations by object of expenditure and detailed green sheets for personal services.

ECA MISSION TO KOREA



SUMMARY OF ECA KOREA 1951 BUDGET ESTIMATE FOR ADMINISTRATIVE EXPENSES

ITEM	TOTAL ESTIMATE 1950 NUMBER	TOTAL ESTIMATE 1950 AMOUNT	TOTAL ESTIMATE 1951 NUMBER	TOTAL ESTIMATE 1951 AMOUNT	INCREASE ✗ OR DECREASE - NUMBER	INCREASE ✗ OR DECREASE - AMOUNT
DEPARTMENTAL						
TOTAL PERMANENT DEPARTMENTAL	22	$ 136,352	21	$ 122,235	- 1	$- 14,117
DEDUCT LAPSE	2.6	21,660	1	6,000	- 1.6	- 15,660
NET PERMANENT DEPARTMENTAL	19.4	114,692	20	116,235	✗ .6	✗ 1,543
WAE EMPLOYMENT DEPARTMENTAL		4,500		4,500		--
ALL OTHER PAYMENTS DEPARTMENTAL		3,108		3,540		✗ 432
ALL OTHER PERSONAL SERVICES, DEPARTMENTAL		122,300		124,275		✗ 1,975
FIELD						
CHIEF OF MISSION	12	81,750	12	81,750	--	--
PROGRAM REVIEW STAFF	12	80,990	8	61,770	- 4	- 19,220
OFFICE OF THE CONTROLLER	24	139,290	21	124,540	- 3	- 14,750
OFFICE OF DEPUTY FOR FINANCIAL AFFAIRS	4	24,690	3	18,780	- 1	- 5,910
TRADE AND FINANCE DIVISION	4	33,870	3	25,540	- 1	- 8,330
SUPPLY AND DISTRIBUTION DIVISION	3	17,630	-	-	- 3	- 17,630
OFFICE OF DEPUTY IN CHARGE OF OPERATIONS	1	5,910	2	15,210	✗ 1	✗ 9,300
TOKYO FIELD OFFICE	4	22,660	-	-	- 4	- 22,660
FOOD AND AGRICULTURE DIVISION	1	3,930	2	15,210	✗ 1	✗ 11,280
INDUSTRY AND MINING DIVISION	4	31,200	2	10,920	- 2	- 20,280
ELECTRIC POWER DIVISION	3	25,900	1	10,330	- 2	- 15,570
TRANSPORTATION AND COMMUNICATIONS DIVISION	6	51,390	2	15,570	- 4	- 35,820
ALIEN EMPLOYEES (NET)		22,500		28,000		✗ 5,500
TOTAL PERMANENT FIELD	78	541,750	56	407,660	-22	-134,090
DEDUCT LAPSE	17	113,050	1.5	10,125	-15.5	-102,925
DEDUCT SAVINGS THROUGH USE OF LOCAL CURRENCY		22,500		28,000		✗ 5,500
NET PERMANENT FIELD	61	406,200	54.5	369,535	- 6.5	- 36,665
ALL OTHER PAYMENTS FIELD		45,100		41,800		- 3,300
ALL PERSONAL SERVICES FIELD		451,300		411,335		- 39,965
ALL PERSONAL SERVICES, DEPARTMENTAL		122,300		124,275		✗ 1,975
01 PERSONAL SERVICES		573,600		535,610		- 37,990
OTHER OBJECTS - DEPARTMENTAL AND FIELD						
02 TRAVEL		159,750		150,640		- 9,110
03 TRANSPORTATION OF THINGS		45,150		32,250		- 12,900
07 OTHER CONTRACTUAL SERVICES						
SERVICES PERFORMED BY OTHER AGENCIES (U.A.S.)		764,000		674,000		- 90,000
ECA		105,000		105,000		-
REPRESENTATION ALLOWANCE		2,500		2,500		-
TOTAL OTHER OBJECTS		1,076,400		964,390		-112,010
TOTAL ESTIMATE		1,650,000		1,500,000		-150,000

GENERAL STATEMENT ON ADMINISTRATIVE EXPENSE ESTIMATE -- 1951
DIVISION OF KOREA PROGRAM -- DEPARTMENTAL

Functions of the Division of Korea Program -- Washington

This Division of twenty-one (21) employees is established as a separate entity because of the unique position of the program of economic aid to Korea in relation to other ECA programs and objectives. A separate staff is required to carry out its functions because the normal organization of ECA is established to deal with Western Europe and the economic problems inherent thereto which are somewhat different in character and scope from those prevailing in Korea.

The primary functions of the Division are summarized as follows:

A. Represents the ECA Mission to Korea in Washington.

B. Assists the Administrator in establishing policies and conditions of assistance to Korea. Maintains close and effective working relations with the Department of the Army, Department of State, and other U. S. Government agencies.

C. Pending establishment of a Korean Purchasing and Technical Mission, acts to provide information and assistance ordinarily provided by such missions to various procurement agencies and ECA-Washington Divisions.

D. Reviews programs formulated by the ECA Mission to Korea and sees that the Korea program receives full consideration in the ECA programming process.

E. Expedites financing and procurement action for the Korea program by ECA and other government agencies.

In addition to services rendered by the employees of the Division of Korea Program, the various organizations within the ECA contribute materially by furnishing operating and facilitating services on a reimbursable basis. Without these services, the Korea Division would be forced to add personnel to their present staff in Washington to render the assistance now being contributed by the ECA Washington organization. Other federal agencies participate in the prosecution of the Korea program, rendering such services as normally fall within their legislative authority. This work is also performed on a reimbursable basis. Examples of other agencies are the Bureau of Federal Supply for procurement work and Department of State for Joint Administrative Services.

Program Objectives -- The Division of Korea Program has initiated basic studies of the economy of Korea to make ECA approved programs reach maximum effectiveness with as great economy as is possible. Further, in the economic field the Division develops policies relative to use of foreign exchange available to Korea, use of counterpart funds established by the Korean Government, improvement in Korea's foreign trade as a source of needed imports and the development of export capacity to provide exchange. Plans are being laid for further reconstruction and rehabilitation projects, those now under way will be facilitated, programs of technical training will be promoted and an effort made to integrate the economy of Korea with that of the rest of the Far East insofar as political and military conditions will permit.

Furthermore, the Korea Division will undertake certain specific operations to assure prompt procurement of commodities authorized by the Korean Government and ECA for shipment to Korea. This will necessitate intimate and frequent contact with Federal procurement agencies. Channels of commercial procurement are being developed as rapidly as practicable. This Division will furnish information for the ECA Mission in Korea on the status of its program of procurement and will act as its representative in negotiating contracts with private engineering firms to undertake surveys or projects. It will be responsible to assure that authorized goods are received in Korea in ample time for effective utilization.

Inasmuch as the Republic of Korea was established only as late as August 1948, it is necessary for the Korea Division to perform functions ordinarily carried out by the technical and purchasing missions of ECA countries. It will be necessary to further guide and instruct representatives of the Republic of Korea in Washington. The final attainment of ECA's overall objective will be accomplished only when Koreans themselves are ready for assumption of complete responsibility. Development of Korean representation to this end will be the responsibility of this Division. However, until Koreans can be relied upon for effective self-help, it will be necessary for the Korea Division to act with and for them on matters relating to economic assistance to Korea.

The funds and staff requested are the minimum necessary to carry out responsibilities inherent in the American economic program in Korea which is intended to provide continued assistance in the maintenance of the political and economic stability of the Republic of Korea. These responsibilities have been enlarged and continued by approval of the Far Eastern Economic Assistance Act, and by appropriation of funds to undertake initial phases of the program.

FUNCTIONS AND ORGANIZATION OF THE ECA MISSION TO KOREA

Overall Responsibility

By Executive Order, dated January 5, 1949, the President of the United States authorized the Administrator for the Economic Cooperation Administration to carry on in Korea the relief and economic rehabilitation functions previously exercised by the Department of the Army. Consequently, the Economic Cooperation Administration established a Special Mission to Korea. The Chief of the ECA Mission to Korea represents the Administrator for the Economic Cooperation Administration in all relations with the Republic of Korea involving the economic aid program with the principal responsibilities of (1) planning and directing the aid program in Korea, and (2) assuring the performance by Korea of those functions to which it is committed by the Agreement on Aid between the United States of America and the Republic of Korea, signed on December 10, 1948. Through his own staff and in cooperation with personnel of the Diplomatic Mission, the Chief of the ECA Mission works closely with Korean officials in the preparation and execution of the recovery program. Furthermore, the ECA Mission is a source of information to the Korean Government and to the Korean people, concerning the policies of the United States Government and the attitude of the American people towards the recovery program; and at the same time the Mission is a source of information to ECA-Washington and to the American people, concerning the economic problems and recovery progress of Korea.

Program Preparation

Development of the recovery program begins in the Korean Government. Through close working relations with Korean officials, Mission personnel render significant assistance on questions of recovery policy and practice. The Mission also evaluates the objectives and the program presented by the Korean Government, provides Washington with analysis of Korean policies and programs, and informs the Korean Government of the attitude of the United States towards Korean policies and practices.

Program Execution

With relation to program execution, the Mission's principal responsibilities are (1) to advise the Korean Government as to whether its policies are achieving the purposes of the recovery program as agreed upon between the United States and Korea, (2) to determine whether the Korean Government in its execution of the program is adhering to the terms of the Agreement on Aid and other agreements; and (3) to develop in Korea the managerial and technical skills necessary for the independent maintenance by the Korean people of a viable economy.

The Mission is vitally interested in the domestic fiscal program of Korea, recognising that financial stability is fundamental to economic recovery. The ECA exercises a specific sanction in the field of domestic fiscal policy through control over the utilization of counterpart currency. Appraisal of plans for the use of counterpart funds involves constant review of the total Korean fiscal program and constitutes one of the most important responsibilities of the Mission.

End-Use Auditing

Under the terms of the Agreement on Aid, the Korean Government is committed to take all necessary steps to insure that aid received under the recovery program is distributed and utilized in accordance with the purposes specified in the program jointly agreed to by the Korean Government and the ECA for which ECA agreed to finance the particular form of aid. ECA has an obligation to the United States Congress and to the American people to account for appropriated funds; to obtain from participating governments any information needed to determine the actual use of funds made available to Korea and to confirm such information by first hand observation and audit.

For these reasons, a system of end-use reports has been developed to provide the Administrator for ECA with all necessary information concerning the receipt, and distribution and use of aid supplies. Together with the Procurement Authorization system and the fund accounts maintained by ECA, these end-use reports enable the Administrator to insure the effective utilization of aid supplies.

Information

It is vital to the success of an aid program that the people of the participating country understand the motives underlying the program as well as the immediate and long-range objectives of the program and are informed of current and projected operations of the program. In order to assure such understanding and to counteract propaganda of antagonistic elements which misrepresent the facts and attempt to discredit American motives, a program of public information must be conducted by the participating country and by ECA. In cooperation with the Korean Government and Korean private agencies and with the United States Information Service, the staff of the Mission provides the public with information concerning the Aid program, its objectives and accomplishments.

Technological Training

In a relatively underdeveloped economy such as that of Korea, the provision of technical advice and training must be an integral part of any program of economic aid. This technical advice and

training should be provided in the fields of production, distribution, and management, both public and private. Such technical advice and assistance maximizes the effectiveness of material aid and, at the same time, minimizes aid requirements. Furthermore, it has the long-range effect of preparing the participating country better to manage its own affairs independently upon the termination of the aid program.

Provision of technical advice and training in many fields of production and distribution in which the United States is recognized as proficient, and encouragement of technical aid has been recognized from the outset as a form of assistance which will add materially to the benefits derived from the commodities supplied by dollar grants. Such assistance is aimed at increasing agricultural and industrial production, fiscal stability, and other recovery measures.

To some degree, technical assistance is a natural by-product of the work done by the mission staff in program preparation and execution. In addition, the possibilities of long-range economic improvement through the systematic exchange of technical information justify special emphasis on such work.

This budget estimate, in addition to operating overhead expenses, includes funds for personnel and other expenses for a technical assistance program under project number 10, "Technical Assistance Program". In fact, 140 of a total of 194.5 man years of employment planned for the ECA Mission to Korea represent operational assistance of a technical nature. These employees will be under direct supervision and control of the Chief of the Mission. Their services are required because Koreans do not yet have the "know-how" for self sufficiency under present world conditions. Industry in Korea is highly nationalized. Over 80% of all industry in Korea was vested by the U. S. Army Military Government from its former Japanese owners. All the properties have now been turned over the Republic of Korea which faces a difficult technical and managerial task to assure maximum production.

FUNCTIONS BY MAJOR ORGANIZATIONAL UNITS

A. OFFICE OF THE CHIEF OF MISSION

The Chief of the ECA Mission to Korea is responsible for planning and directing and execution of the Korea Aid Program in Korea. The immediate Office of the Chief includes in addition to clerical personnel three Special Assistants; one Legal Advisor and an Information Officer.

B. PROGRAM REVIEW STAFF

The Program Review Staff directly under the Chief of Mission, is responsible for (a) the integration and continuing review of the ECA program in the light of economic recovery goals and overall conditions in Korea, (b) providing reports and statistics on the impact of the aid program and of economic policies and practices of the Korean Government on the economy of the country in general, and (c) reporting on other prescribed subjects, to the Chief of the ECA Mission and Chief of the Diplomatic Mission in Korea, to ECA, the Department of State, and other United States Government agencies in Washington.

C. OFFICE OF THE CONTROLLER

The Controller, directly under the Chief of Mission, establishes and maintains the records necessary for financial accountability of the Mission and for analysis of Korean adherence to financial aspects of the Agreement on Aid and to distribution and end-use agreements. The Controller establishes and maintains records concerning Procurement Authorizations, shipments, arrivals, budgetary allocations, obligations and expenditures of United States appropriated funds; maintains a record of all deposits and withdrawals in the special won account (counterpart fund); audits accounts of the Mission in Korea and of Korean contractors and agencies handling aid supplies; prepares reports on distribution, end-use expenditures, obligations, receipts, and commitments; prepares other regular and special reports required by the Chief of Mission and by the ECA Controller in Washington.

D. OFFICE OF DEPUTY FOR FINANCIAL AFFAIRS

Immediate Office of Deputy

The Deputy for Financial Affairs is responsible for planning, directing, and coordinating activities of the Trade and Finance Division and the Requirements Division, functions of which are outlined below.

(1) TRADE AND FINANCE DIVISION

The Trade and Finance Division is responsible for encouraging activities of the Korean Government in the development of foreign trade in normal trade channels, with particular emphasis on exports and standardization of products for export; reviewing and advising upon Korean Government activity in banking and credit, taxation, budget preparation and execution, accounting, customs, foreign exchange and Monopoly Bureau operations; reviewing Korean Government plans for organization of a central bank and reorganization of financial institutions; insures that the Mission is provided with information and statistics in the fields of trade and finance; and advises the Mission on all matters involving trade and finance.

(2) REQUIREMENTS DIVISION

This Division is responsible for assisting the Korean Government, and for providing coordination within the Mission, on matters relating to the preparation of an overall economic recovery program and an annual import-export program; screening the import-export program against local availabilities, scheduled imports and for essentiality; reviewing requests for ECA financed procurement submitted by the Korean Government; reviewing import requirements to be financed with Korean foreign exchange; assisting the Republic of Korea in establishing and maintaining procedures for handling import requirements and for assuring appropriate justification and record-keeping; processing and screening estimates of export availabilities; preparation of annual requests to ECA for assistance; insuring the optimum utilization of funds for essential imports; processing and consolidating import requirements under ECA procedures; preparation of project letter applications, including local currency requirements; preparing staff studies relating to import-export programs and analysis of balance of payments position. Expenses of the Division are charged to the Technical Assistance Program. As soon as the Korean Government is prepared to undertake this activity satisfactorily, it is expected the Division will be disbanded and the personnel used elsewhere in the Mission.

E. OFFICE OF THE DEPUTY FOR OPERATIONS

Immediate Office of Deputy

The Deputy for Operations is responsible for planning, directing, and coordinating the activities of the following divisions: Food and Agriculture, Industry and Mining, Electric Power, Transportation and Communications, and Technological Training. Each of these divisions is generally responsible to

review and advise upon the activities of the Korean Government in order to: (a) assure effective use of aid supplies imported by ECA, (b) maximise Korean production with available facilities and thereby stimulate the development of the Korean economy and minimise Korean need for imports, (c) assure the importation by ECA of such raw materials and commodities as are most essential and technically best suited to the development of the Korean Economy and (d) arrange for such surveys and development work by outside agencies or companies as are appropriate to the ECA program.

(1) FOOD AND AGRICULTURE DIVISION

The Food and Agriculture Division is responsible for encouraging activities of the Korean Government to maximise production and to increase efficiency in the fields of agriculture, forestry, and fisheries; for assuring self-sufficiency in food production and providing an exportable surplus; assisting in planning adequate and equitable food collection and distribution programs; assisting in planning a program for more equitable distribution of large agricultural land holdings; assisting in planning overall programs to improve economic and social conditions of the Korean farmer. Responsible for screening import requirements in the field of agriculture, forestry, and fisheries; checking on the utilization and distribution of imported materials, reporting on their use, and making appropriate recommendations.

(2) INDUSTRY AND MINING DIVISION

The Industry and Mining Division is responsible for encouraging activities of the Korean Government in expanding industrial and mining production. Each subordinate branch (Chemical, Textiles, Metals Industry, Metals Mining, Coal Mining) for its area of activity screens requirements for imports; by field inspection, assures effective use of imports and assists in maximum utilization of existing resources, facilities, and supplies; provides consultative services of production problems, and otherwise assists in maximising production of industrial commodities.

(3) ELECTRIC POWER DIVISION

The Electric Power Division is responsible for encouraging activities of the Korean Government in providing for the generation and distribution of electric power for South Korea and to advise and assist in planning future power requirements, including hydro, steam and diesel generating facilities.

(4) TRANSPORTATION AND COMMUNICATION DIVISION

The Transportation and Communication Division is responsible for reviewing plans involving ECA assistance applicable to railroads, highways, city streets, bridges, port facilities, communications installations and miscellaneous activities involving civil engineering; to insure reasonable efficiency in the execution of approved projects; reviewing and screening all import requirements for electrical communications equipment required by the Republic of Korea to insure that sound engineering principles are followed and that the requirements are justified to support the economy of the Republic of Korea; assisting in the economic and physical development of marine transportation; for screening import requirements and observing and reporting the use being made of imported supplies and materials; responsible for working with the Korean Government agencies and personnel on rail activities relating to the proper maintenance of the roadway, equipment and facilities; supply functions, and to screen all import requirements for materials, observe their use and assist the Koreans in making most effective use of Korean resources; dependable operations to provide adequate transportation to meet the requirements of South Korea; and economic and physical improvement of the property.

(5) TECHNOLOGICAL TRAINING DIVISION

This Division is responsible for the conduct of the ECA program of direct training and education of Koreans in the management of economic affairs. The Division sponsors training programs within Korea, arranges for the training of selected Koreans in the United States, guides and assists the Korean Government in formulating requirements for imports necessary to technological training (e.g., books, laboratory equipment) and coordinates the technical assistance activities performed by members of other divisions. Its activity is designed to provide staff and facilities to assist in the training of Koreans in technical and agricultural skills. It will particularly assist in provision of training and operational personnel in industrial activities and projects for which ECA assistance is being provided. Entire expenses of the Division are charged to the Technical Assistance Program.

JUSTIFICATION BY OBJECT CLASS
Administrative Expense

01 Personal Services

Departmental

Lapse - One man year or 5 per cent has been applied. WAE employment is for consultants on special problems. Other items include small amount for overtime and pay increase due to P.L. 429 at $147 per man year.

Field

Lapse - This item contemplates the return of 15 employees to the States with an average annual leave accrual of 90 days or the equivalent of 3.5 man years. It is estimated that 56 employees will work 51 man years. This estimate added to 3.5 man years of leave makes a total of 54.5 man years which has been deducted from the total leaving a net lapse of 1.5 man years multiplied by $6.750 average salary.

Separation Allowance - to be paid only in extreme cases.

Hardship post allowance - represents 20% additional payment for 30 FSS employees - gross $178.860. The average of 2.7 per cent for lapse has been applied.

All Other Objects		Estimate
02 Travel -- Net dollar estimate - Departmental and Field		$150,640
Note: Difference in rates per trip to and from Mission is due to per diem payments.		
Korea Division -- Washington, D. C.		
U.S. Travel - Regular Staff and Consultants		$ 2,290
19 operational round trips for regular Washington employees to Mission in Korea at average of $1,850 per trip		35,150
Total departmental travel		37,440
Korea Mission Staff -- Field		
Initial assignment of 3 principals plus 3 dependents at $850 per individual, total individuals - 6		5,100
Replacements. It is estimated 15 employees will be eligible for return to the States for termination in 1950 in accordance with employment provision or for reasons other than home leave. It will be necessary to recruit 9 employees to maintain programmed staffing plan.		
Return to States -- employees	15	
Dependents of employees	15	
Total return to United States	30	
Recruit from States -- employees	9	
Dependents of employees	9	
Total from United States	18	
Grand Total	48 at $850 each	40,800
15 home leave assignments, 30 individuals including 15 dependents will be returned for home leave assignment, round trip -- $1,700		51,000
6 operational round trips from Korea Mission to United States at average of $1,850 per trip		11,100

		Estimate	
	15 operational trips to Japan -- $230 per trip	$ 3,450	
	3 operational trips to Asiatic mainland at average of $583 per trip	1,750	
	Travel within Korea and adjacent islands Note: This item will be financed by local currency 84 trips at $150 per trip (dollar equivalent)	12,600	
	Total Field Travel	125,800	
	Deduct local currency contribution	12,600	
	Total Field Travel (Net)	113,200	
03	Transportation of Things -- Net Dollar Estimate Departmental and Field		$ 32,250
	Washington, D. C.		
	For excess baggage costs and miscellaneous items	1,590	
	Korea Mission		
	Personal baggage by air carrier of 27 principals and 27 dependents - total 54 persons - 100 pounds each at $200 per person	10,800	
	Personal baggage by water carrier of 27 principals and 27 dependents - total 54 persons - 200 pounds each at $40 per person	2,160	
	Personal effects (household goods) 27 principals - 1,000 pounds each at $200 per person	5,400	
	Home leave - personal baggage by air carrier 15 principals, 15 dependents - total 30 persons - 100 pounds each at $200 per person	6,000	
	Personal automobiles 27 principals, 9 cars at $700 each	6,300	
	Total Field	30,660	

			Estimate
07	Other Contractual Services -- Net Dollar Estimate		$781,500
	Representation allowance	$ 2,500	
	Reimbursement to Other Agencies		
	Department of State		
	*Joint Administrative Services U.S. Dollars	$ 674,000	
	Won dollar equivalent	1,033,000	
		1,707,000	
	Deduct local currency contribution	1,033,000	
	Total appropriated funds for JAS	674,000	674,000
	The estimate of $105,000 is to reimburse the ECA for all administrative services rendered by ECA operating and facility divisions such as Personnel, Controller, Administrative Services, General Counsel, etc.		105,000

*By agreement of the Department of State, ECA and the Department of the Army, all administrative services for American personnel in Korea are provided by a single unified agency known as the Joint Administrative Services. For administrative convenience, this agency is under the operating supervision of the Department of State. Services of the JAS include payrolling, commissary services, housing accommodations and upkeep, security, supplies and equipment, communication facilities, transportation, accounting, reproduction, and other kindred services relating to administrative activities of the ECA Mission in Korea.

It is proposed to finance the operation of JAS by transfer of funds to the Department of State by the participating agencies based upon the proportion of personnel of each U.S. Government Agency. ECA proposes to make available for JAS use funds from the Korean local currency account in won and $674,000 from appropriated funds.

Total Other Objects	964,390
All Personal Services	535,610
Total estimate administrative expenses including transfers to other agencies	1,500,000

APPROPRIATION LANGUAGE

FUNDS APPROPRIATED TO THE PRESIDENT

Assistance to the Republic of Korea

1 For expenses necessary, fiscal year 1951, to provide assistance to the Republic of Korea, as authorized by law, including expenses of attendance at meetings concerned with the purposes of this appropriation; payment of tort claims pursuant to law (28 U.S.C. 2672); health service programs as authorized by law (5 U.S.C. 150); transportation of privately owned automobiles; hire of passenger motor vehicles and aircraft; exchange of funds without regard to section 3651 of the Revised Statutes; and loss by exchange; $100,000,000: PROVIDED,
2 That not to exceed $1,500,000 shall be available for administrative expenses during such
3 period: PROVIDED FURTHER, That this paragraph shall be effective only upon the enactment into law, during the second session of the 81st Congress, of legislation authorizing assistance to the Republic of Korea in the fiscal year 1951.

EXPLANATION OF LANGUAGE

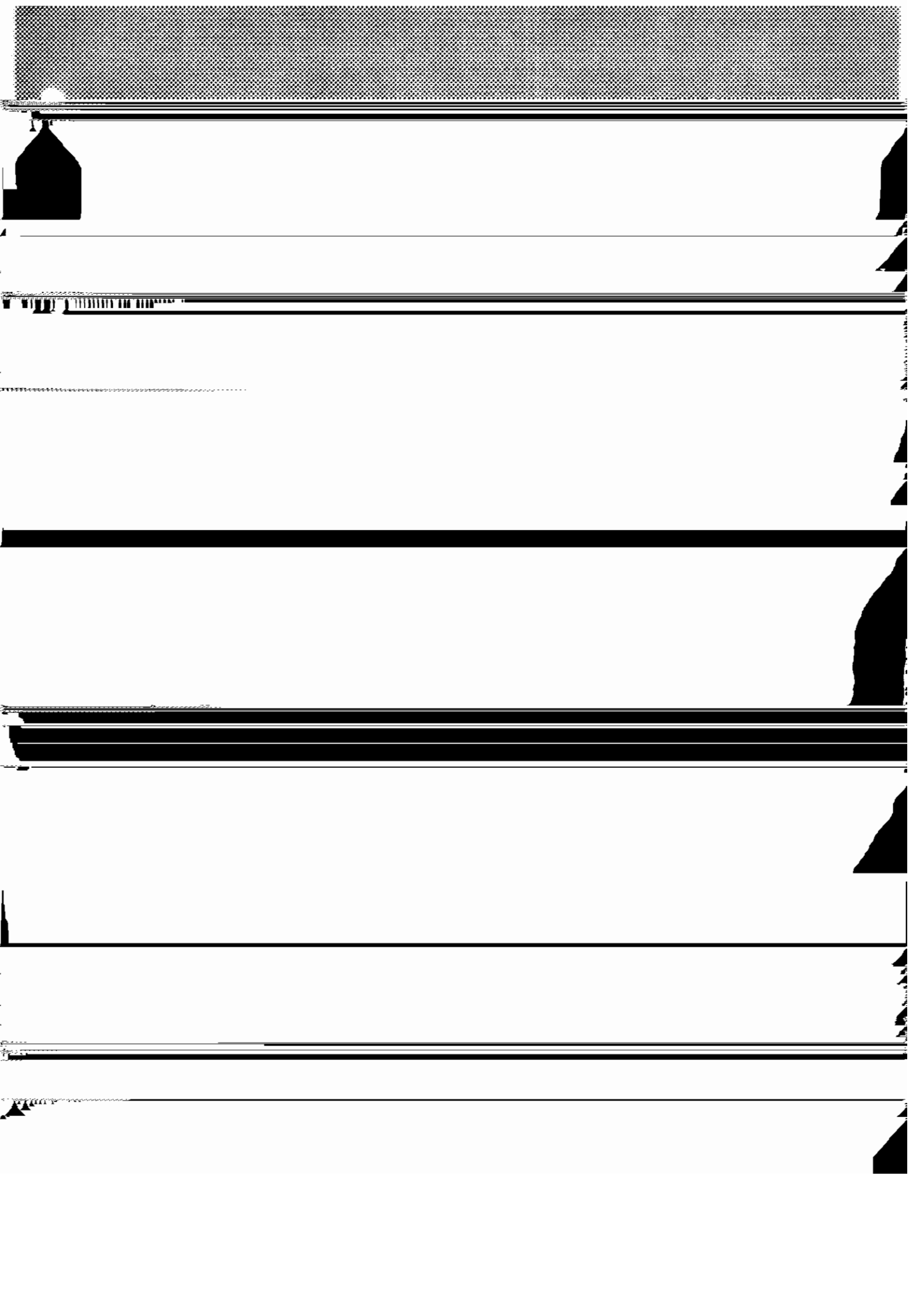
1 The proposed appropriation language is to provide funds for fiscal year 1951. It generally parallels corresponding language for funds appropriated for the purposes of the Economic Cooperation Act of 1948, as amended.

2 The first proviso establishes a not to exceed limitation for administrative expenses for operations in the United States and the U. S. Mission in Korea.

3 The second proviso appears because the authorizing legislation for 1951 had not been enacted into law at the time the appropriation estimate was transmitted to the Congress.

Assistance to the Republic of Korea
Economic Cooperation Administration
Executive Office of the President

	Actual 19	Estimate 1950	Estimate 1951
OBLIGATIONS BY OBJECTS (ALL AGENCIES)			
Total number of permanent positions		100	77
Average number of employees		80.4	76.3
01 Personal Services			
Full time employees		$ 500,892	$ 485,770
Part-time and temporary positions		4,500	4,500
Payment above basic rates		48,208	45,340
Total personal services		553,600	535,610
02 Travel		159,750	180,640
03 Transportation of things		48,150	52,290
07 Other contractual services			
Representation allowance		2,500	2,500
Services performed by other agencies (I.A.S.)		764,000	592,000
SCA		325,000	325,000
Total obligations (Administrative Expenses)		1,650,000	1,500,000
11 Grants, subsidies and contributions		108,350,000	98,500,000
Grand total obligations		110,000,000	100,000,000



Assistance to the Republic of Korea--Continued
Economic Cooperation Administration
Executive Office of the President

DETAIL OF PERSONAL SERVICES--Continued	Actual, 19	Estimate, 19 50 Number	Estimate, 19 50 Total Salary	Estimate, 19 51 Number	Estimate, 19 51 Total Salary
Departmental:					
Clerical, administrative, fiscal service--Continued					
Grade 11. Range $5,232 to $6,232				1	$ 5,232
Grade 9. Range $4,480 to $5,232		1	$ 4,480	1	4,480
Grade 7. Range $3,727 to $4,480		1	4,550	1	3,727
Grade 5. Range $2,974 to $3,727		4	13,125	8	26,081
Grade 4. Range $2,727 to $3,175		3	8,549		
Grade 3. Range $2,498 to $2,950		2	6,046	1	2,974
Professional service:					
Grade 8. Range $10,305 to $10,880					
Chief of branch		1	10,305		
Grade 7. Range $8,800 to $9,700					
Industrial engineer		1	8,800		
Grade 6. Range $7,432 to $8,390					
Economist		2	14,864		

Assistance to the Republic of Korea
Economic Cooperation Administration
Executive Office of the President

DETAIL OF PERSONAL SERVICES	Actual	Estimate, 1950 Number	Estimate, 1950 Total Salary	Estimate, 1951 Number	Estimate, 1951 Total Salary
Field:					
Foreign Service reserve officers:					
Class 1. Range $12,000 to $13,500					
Chief of Mission		1	$ 12,800	1	$ 12,800
Director of Division		4	48,000	4	48,000
Deputy		1	12,000	2	24,000
Controller		1	12,000	1	12,000
Class 2. Range $10,000 to $11,500					
Special assistant		1	10,330	1	10,330
Legal adviser		1	10,330	1	10,330
Information officer		1	10,330	1	10,330
Director, Pusan Reg. Off.		1	10,330	1	10,330
Chief of branch		4	41,320	8	82,640
Economist		1	10,330	1	10,330
Assistant controller		1	10,330	1	10,330
Foreign exchange consultant		1	10,330	1	10,330

Assistance to the Republic of Korea--Continued
Economic Cooperation Administration
Executive Office of the President

DETAIL OF PERSONAL SERVICES--Continued	Actual 19..	Estimate 1950 Number	Estimate 1950 Total Salary	Estimate 1951 Number	Estimate 1951 Total Salary
Field--Continued					
Foreign Service staff officers--Continued					
Class 10. Range $4,800 to $4,900		3	$ 11,790	2	$ 7,860
Class 11. Range $3,840 to $4,440		11	29,270	5	32,130
Class 12. Range $4,080 to $3,600		6	19,260	8	25,680
Class 13. Range $2,820 to $3,240		4	11,400	3	8,590
Foreign nationals (net)			25,600		25,000
Total permanent, field		78	541,750	56	407,650
Deduct lapse		17	-113,050	1.5	-10,129
Deduct savings through use of local currency			-22,600		-28,000
Net permanent, field		61	406,300	54.5	369,521
Regular pay in excess of 52-week base (5 U.S.C. 944)			1,100		....
Separation allowance			6,000		7,000
Hardship post allowance (25% for FSS employees)			58,000		34,800
All personal services, field			481,500		411,336
01 Personal services			971,600		858,410