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**John W. Staggers, 'Impression of Korea with
Recommendations for Improving Korean Aid
Programs'**

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Summary:

Report on the excessive number of agencies working on the rehabilitation of Korea, which Staggers felt created inefficiency. He suggests giving funds directly to the government of Korea.

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IMPRESSIONS OF KOREA

WITH

RECOMMENDATIONS FOR IMPROVING

KOREAN AID PROGRAMS

BY

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July 1954



IMPRESSIONS OF KOREA

By

J. W. STAGGERS

After spending months in Korea, it is my considered judgment that there are too many agencies trying to execute the Korean program, causing an overlapping of functions, a duplication of personnel, lost time in coordination, and a lack of progress toward the real goal of rehabilitation of Korea.

These Agencies are:

1. KCAC - (KOREAN CIVIL ASSISTANCE COMMAND). This organization is a military one and its first concern are those problems of a military nature such as transportation, communication, law and order, and many other factors that enter into their operations. To this Command is attached all kinds of mining, civil and power engineers, some of whom are enlisted men, but many of them are civilians, who concern themselves with all the problems of rehabilitation.

2. UNKRA - (UNITED NATIONS KOREAN REHABILITATION ADMINISTRATION). UNKRA has been delegated the task of rehabilitating Korea. This organization is staffed with many types of technical men from various countries throughout the world, largely duplicating the technical personnel on KCAC staff.

While UNKRA has been given the task of administration, its failure to get underway stems, apparently, from the fact that this Agency



has not the financial means to do so as they had, for example, only \$15,000,000 available in November 1953. UNKRA's target for the year 1954 was \$250,000,000, and they had pledges, from twenty-eight nations, totaling \$207,000,000, of which only \$87,000,000 has been paid in.

UNKRA is unable to accomplish its objective because it is hampered by the fact that it does not know how much money it will receive, nor when it will receive it from the contributing nations. The United States is supposed to contribute 35 per cent to the UNKRA budget, but because of non-payment by other nations, the United States has advanced 70 per cent of the funds available. Under these circumstances UNKRA cannot succeed, inasmuch as no administrator can commit funds for long-range projects when available funds are not certain. Therefore, they must center their attention on short term projects for which money is available.

3. FOA - (FOREIGN OPERATIONS ADMINISTRATION). FOA was the old Mutual Security Agency, and prior to that, ECA, which administered the Marshall Plan.

FOA has \$240,000,000 immediately available for Korea. This organization is extremely anxious to expand its activities but, because UNKRA is the administrative agency, FOA finds itself without a Korean program.

EFFORTS CORRECTING SITUATION

To overcome this weakness, President Eisenhower has appointed Tyler Wood as Coordinator of the entire program. Wood is an FOA man,



and is greatly concerned about the lack of any program.

FOA feels that, if it provides the money for the rehabilitation program, it should administer the program with personnel of its choosing rather than nationals of other countries, whose natural inclination would be to divert as much business as possible to their own countries.

In order to overcome this administrative weakness, FOA has prepared a list of priority projects based on the assumption that UNKRA will assume responsibility for those projects which it can perform within the limit of its funds, with FOA taking over the balance of these projects of a priority nature. Such a program would require real coordination, and again, would result in duplication of personnel.

The general feeling of the many Koreans and Americans with whom I have talked is that UNKRA, with its international aspects, should have been the medium for handling such things as medical aid, clothing, hospitalization, education, and projects of like character where budgets can be determined with relative ease and where long-term commitments do not have to be made.

The situation is tragic from the point of view of the Korean people and also from the point of view of world opinion. West Germany was put on its feet by FOA, and stands as a shining example to East Germany and other Russian satellites of what free economy can accomplish. It is important that South Korea's economy be stepped up, so that the North Koreans will recognize the difference between the com-



munists' theories and the practices of a free economy. One of the strongest weapons in propaganda, which the Communists who infiltrate into South Korea have been and are continuing to use, is that, in North Korea, when the authorities set up a project, it is immediately carried out and without red tape. We should counteract this propaganda by setting an example in speeding up our programs.

IMMEDIATE NEEDS

A rehabilitation program, on the other hand, involves heavy construction which must be designed, purchased and shipped to Korea. It then has to be erected with adequate technical and administrative assistance being furnished to show the Koreans how to put such plants into operation. Obviously, such a type of program requires commitments of several years for its accomplishment, and the monies must be made available in advance to assure that reputable firms will undertake a program of long duration.

In the rehabilitation of Korea, the following items should have first consideration:

1. Fertilizer Plants
2. Developing Korean Fishing Industry
3. Expansion of Public Utilities
 - a. Adequate Water
 - b. Development of Coal mines
 - c. Electric Power Plants
4. Cement Plants



5. Smelting Plants for Non-Ferrous Scrap and Ore
6. Glass Factories
7. Steel Plants to be operated chiefly on Scrap
8. Development of Railroads and Highways
9. Hotels

1. NITROGENOUS FERTILIZER:

The fertilizer production in Korea should be built up to the point where it is adequate to take care of her fertilizer requirements. Unless this situation is recognized and the necessary steps taken to meet the fertilizer needs, if and when the appropriations of money for consumers goods are brought to an end, the Koreans would be left in the position of being unable to supply their necessary food requirements.

2. DEVELOPING KOREAN FISHING INDUSTRY:

The fishing industry goes hand in hand with agriculture in Korea, as fish and rice are the principal items for supplying food and sustaining life in Korea. Fish is the main source of protein in the Korean diet.

3. EXPANSION OF PUBLIC UTILITIES:

(a) Adequate Water: For the health and sanitation of Korea, the water supply should be increased without delay. Seoul, Korea, is now limited to one-third of her normal water consumption. The same situation prevails in many other cities and towns in Korea. Since my return from Korea, U. P. reported:



"FIRE SWEEPS SEOUL AREA

"Fire has destroyed a ten block square area, flattened at least 200 homes and shops, and left an estimated 6,000 persons homeless. Thousands of dollars worth of goods also were destroyed."

This catastrophe no doubt could have been prevented with an adequate water supply.

(b) Coal: Coal is one of the basic factors to be developed in the rehabilitation of Korea.

(c) Electric Power Plants: The electric power must be increased in proportion with other reconstruction of Korea. However, contracts were recently let for electric power plants and a fertilizer plant. It will be two to three years before these plants are in operation. These items are vital to Korea's very existence.

4. CEMENT PLANTS:

For the rebuilding of factories, homes, bridges, tunnels and other necessary reconstruction, Korea is largely dependent upon cement. Korea has the cement rock and the manpower to produce all the cement that she needs and have cement to export. Also, I am informed that the site has finally been selected for a cement plant. This site was under discussion during the era of the ECA five years ago.

5. SMEETING OR MELTING PLANTS FOR NON-FERROUS SCRAP:

Smelting or melting plants for processing non-ferrous scrap would give Korea an opportunity to produce much of the materials to be used in reconstruction. Materials that were not used could be processed and available for export.



6. GLASS FACTORIES:

A glass factory or factories would be essential for the reconstruction of Korea for the reason that during the War it is estimated that 80 per cent of the glass in Korea was destroyed.

7. STEEL PLANTS:

There are thousands of tons of scrap that could and should be processed in Korea.

8. DEVELOPMENT OF RAILROADS AND HIGHWAYS:

The further development of railroads and highways is another important factor that enters into the reconstruction of Korea. Yards, docks and harbors should also be expanded.

9. HOTELS:

Last but not least, hotel accommodations is a very large factor in the rebuilding of Korea. Outside investors who wish to invest capital in Korea, would not do so, unless they had accommodations and hotel facilities for themselves and their staff. As soon as the Far Eastern situation is stabilized, tourist trade could become an important business which would enable the hotels to earn far more foreign exchange than would be expended in their construction.

KOREA AS A REPUBLIC

Korea is the only democratic republic on the mainland of Asia. Its government is patterned after that of the United States. If it should retrogress or fall, it would be a serious blow to American pres-



tige. If, with American help, Korea develops to its full potentiality, it will be an object example of the superiority of the principles that the United States advocates and proof to the world that these principles are as applicable in the Orient as elsewhere. Korea is virgin territory that can be utilized to build a prosperous democratic state which would go further to destroy Communism in Asia than all the wars that have been fought and are yet to be fought to destroy Communism.

The Korean Government has a great deal of national pride and reserves to itself the right to approve or disapprove of the programs submitted to it. This Government is strongly anti-Japanese and anti-Red Chinese, and strongly pro-American. Koreans want to purchase all of their equipment from American sources because they feel that, if they purchased from Japanese or Red Chinese sources, all repair parts for the future will have to be bought from these countries and their future, therefore, would be mortgaged to those nations. Based on past experience, Koreans fear that the Japanese would charge unfair prices for repair parts. Koreans do not want to trade with Communists under any conditions, and they intend to avoid putting themselves in a position where they will be dominated economically by the Japanese.

America needs export business. President Rhee is anxious to give as much of Korea's business to America as possible. This is part of his long-range plan to tie Korea, economically, to the United States instead of Japan or Europe. It would be folly, when the American taxpayer is furnishing 70 per cent of the United Nations' funds for Korean



reconstruction, to permit United Nations employees to divert most of the purchases financed by the reconstruction program to other countries, thus making it impossible for American businessmen to obtain their fair share of Korean business in future years.

Whether rightfully or not, the Koreans feel strongly that their military effort to reunite their people was frustrated by the United Nations, and it is my impression that they will never have confidence in UNKRA as a bona fide agency interested in and capable of operating a reconstruction program.

WHY AID FUNDS SHOULD BE APPROPRIATED
DIRECTLY TO THE GOVERNMENT OF KOREA

In view of the present situation, it is suggested that Congress appropriate aid funds for direct transfer to the Government of the Republic of Korea with a provision that a special Commission be created by Congress to supervise and report back on the expenditures made by the Korean Government.

The Commission would be composed of practical businessmen, such as engineers, economists, a procurement expert, a government administrator, and an expert in currency and banking. The Commission would consult with and advise the Korean Government when so requested by it.

The Commission would review and examine all transactions in which aid funds are involved. It could provide that in any instance in which a transaction is inconsistent with good policy and administration, or contrary to approved business methods, it could require the Govern-



ment of the Republic of Korea to finance such transactions from its own treasury by refunding the amount of the improper expenditure to the aid account.

The Commission would have a small staff consisting of the necessary clerks, stenographers and translators. If this procedure were followed, it would relieve the United States of criticism for failures and irregularities, incorrect specifications, excessive prices, etc.

For nine years, military and civilian officials of the United States have been administering Korean aid programs. The Koreans feel they could have done a better job than has been done for them by the many agencies in charge of operations. They feel that their own agencies would result in an appreciable decrease in operation costs. To illustrate, the ECA permitted Sae Sun Kim, a Korean representing the Korean Government, to take charge of the purchasing of cotton for Korea. First he saved the 7 per cent which ECA was charging against the cotton fund as an operating cost, and the ECA admitted that he did a better job in the purchase of cotton than they themselves had done.

Each American sent to Korea costs a large sum in dollars. Korean administrators cost only a small fraction of the amount, and that is paid in Korean currency.

The proposed plan of operation would result in an appreciable decrease in the proportion of aid funds devoted to administrative expenses.



Korea's pride is affronted by the fact that the programs for the aid of their country have been operated in such a way as to imply that the Korean people and Government are incompetent or dishonest or both. Not only have Korean aid programs been surrounded with more restrictions and red tape supervision than similar American programs in other countries, but U. S. officials made this fact conspicuous to all the world. Korea's pride should not be taken lightly. The failure of even more liberal and gracefully handled aid programs in other countries to gain friendship and support for the United States should be a warning that some effort should be made not to continue to insult a grateful and friendly country such as Korea.

The United States could have better control over the use of the aid funds because the U. S. Government employees responsible for reviewing the aid fund transactions would not have the tendency toward leniency that is natural when they are checking transactions performed by their fellow U. S. Government employees.

The Government of the Republic of Korea is firmly committed to a policy of utilizing the free enterprise system to the fullest extent compatible with obtaining maximum results with available funds. Many career employees of the United States Government do not have the same faith in the free enterprise system as do the Koreans. Hence, in practical operation, the Korean administration of the aid program would be more in line with the wishes of U. S. Congress and the American people.



The recommended plan would tend to increase the confidence of the Korean people in the financial stability of their Government, which would assist them in ending the inflation that has so seriously damaged Korean economy.

A serious problem in Korea is that they were not permitted during the Japanese occupation or during the nine following years when Korea's economy was dominated by American Government employees, to develop a sizeable community of capable businessmen. This fact, along with foreign propaganda, has resulted in considerable sentiment within the country (which is fortunately not shared by the Korean Government) in favor of State Socialism which, if adopted, would inevitably result in economic collapse and an anti-American attitude. Although a step in the right direction was recently taken by the FOA when it made aid funds available to finance certain imports by Korean private businessmen, there is reason to believe that Korea's private business would gain more, better and quicker experience under the recommended plan.

The Korean Government and Korea's private industry can make long-term plans and commitments with more assurance when aid funds are appropriated directly to the Korean Government. Such an arrangement would tend to offset the impression that aid funds are undependable because they might be cut off for the purpose of forcing the Korean Government into accepting foreign policies with which it is not in accord.

The success of the aid program in Korea is of great importance because of its psychological effect in Asia. Recruiting a large, well



qualified staff of Americans to serve in Korea under present conditions is virtually impossible, especially when their predecessors who lost their personal effects when the Communists invaded Korea four years ago have not been reimbursed. It would be much more feasible administratively to arrange the program so that only a small staff of better paid and better qualified individuals would be required. This should also decrease the danger of a failure of the aid program attributable to the ineptitude of American personnel in Korea.

Due to my more than thirty years relation with Korea, I have a wide acquaintance among Koreans. The Koreans feel free to give me their true opinions on many subjects. I was, therefore, in a position to receive a revealing picture of the attitude of the Korean people to the present situation.

I submit this statement with the earnest recommendation that the suggestions contained herein be given careful consideration and that the United States Congress take remedial action.



W. Stagers