

January 5, 1951

Letter, Harold Lady to Syngman Rhee

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Summary:

Harold Lady replies to Syngman Rhee's request for information on selling iron scrap to raise money for the Republic of Korea. He encloses a sample contract from the CDT corporation.

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159 Minami, Ota-ku
Senzoku, Tokyo.

January 5, 1951

Dear President Rhee:

SUBJECT: SCRAP IRON

The day after Christmas I received your radiogram reading:

"ADVISE SELL SEVERAL HUNDRED THOUSAND TONS SCRAP
IRON CABLE QUOTE HIGHEST PRICE" KORPITAL

I have also received and studied a copy of the program for scrap collection and sale prepared by the ECA and consider it fundamentally sound. There is reason to believe that the available scrap considerably exceeds the ECA estimate.

I immediately checked the most recent developments in the ferrous scrap markets, but was unable to cable you because of suspension of cable and radio service between Japan and Korea. Hence I am sending a copy of this report through the pouch and the original by Mr. Waynthal, who is interested in purchasing scrap. Extra copies are being supplied so you may furnish them, if you wish, to the Minister of Commerce and other interested officials and the ECA advisors.

As indicated by the enclosed copy of the January 4, 1951, "Shipping and Trade News", No. 1 scrap is selling in Japan for from ¥7,500 to ¥8,000 (\$20.83 to \$22.22) a metric ton. The price of No. 2 scrap is ¥5,000 (\$13.69) a metric ton. However, these prices are for domestic Japanese scrap and apparently are artificially depressed as the result of concerted action by the Japanese steel manufacturers. For imported scrap of the same quality they will pay substantially higher prices. They have recently opened letters of credit for \$31, \$30, and \$29 a metric ton C.I.F. Japan for three small shipments of No. 1 scrap.

The last published price I have received from the U.S. was \$34.50 to \$35 a ton delivered in New York as of November 30, 1950, as shown in the attached copy of the "Journal of Commerce".

Cable quotations received from the U.S. indicated the following prices as of the end of December 1950:

	<u>No. 1</u> <u>Grade</u>	<u>No. 2</u> <u>Grade</u>
C.I.F. Seattle	\$29	\$25
C.I.F. San Francisco	31	29
C.I.F. Pittsburgh	45	42

Unless the scrap could be transported to the U.S. in Korean-flag ships, the combined ocean and U.S. rail freight and handling to Pittsburgh would probably be too great to make sales of Korean scrap on the Pittsburgh market profitable despite the high price.

Enclosed is a copy of a proposal in the form of a contract draft submitted by the C.D.T. Corporation whereby it will pay an average of \$33



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a metric ton C & F Japan for No. 1 scrap and \$23.50 for No. 2 for the first 100,000 tons delivered and \$36 and \$25 for additional shipments of grades 1 and 2 respectively. These are the best prices I have been able to obtain and, in addition to being above the present market, the terms offered appear to be favorable in that they -

1. Provide no penalty if the Korean Government fails to deliver
2. Permit sorting and cutting to be done either in Korea or at the port of destination, whichever proves more convenient to the Korean Government.
3. Protect the Korean Government from any possibility of loss inasmuch as an irrevocable letter of credit will be established before shipment is made.
4. Provide a simple operating pattern which will cause the minimum of trouble to the Korean Government.

The C.D.T. Corporation is apparently gambling on a general increase in world prices and its ability to drive a hard bargain with the Japanese steel mills so that they will not be able to depress the price of imported ^{scrap} when Korean scrap reaches the market in volume. The Corporation informed me that they hope to market most of the scrap in Japan, which is the natural market, and will ship it to the United States only when necessary to keep the Japanese price from falling.

An important advantage offered by the C.D.T. Corporation contract is that it will pay the Korean Government free U.S. dollars that may be spent anywhere. If the scrap is sold by either the Korean Government or private Korean business men directly to a Japanese company, payment will be made under the trade agreement through the Korea-Japan open account in the form of a bookkeeping entry permitting Korea to purchase Japanese products.

The Japanese will probably be very disappointed if the contract with the C.D.T. Corporation is signed, but they have no legitimate basis for complaint as scrap iron was not mentioned in the trade agreement.

I understand that the C.D.T. Corporation was organized only for the purpose of entering into and carrying out the enclosed contract, and that it is backed by the same people who recently obtained a contract to deliver some \$2,000,000.- worth of uniforms to Korea. Their performance under the uniform contract should provide a guide as to their reliability.

The R.J. Del Pan Corp., mentioned in the proposal, is the only licensed, internationally recognized inspection and superintendence company with a branch in Korea. Past dealings with this company have been highly satisfactory. It has promised to instruct employees of the Korean Government, or of any designated Korean company, in how to sort, cut, and grade ferrous scrap. This should eliminate the waste involved in shipping unusable material and, in most instances, make it unnecessary to incur foreign exchange charges for sorting and cutting at the port of destination.

It is suggested that the Korean Government license private Korean companies to export privately owned scrap, but that the Government directly export all scrap owned by it and by its vested companies in order to obtain the maximum foreign exchange for the treasury. Selling scrap for Won would appear unadvisable. With part of the dollars received for scrap, the Government could import consumer goods for sale to the public. If the goods selected for import are those most desired



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by the public, they will bring a high price in Won and, by reducing the currency in circulation, decrease inflationary pressure far more than could be done by selling scrap for Won.

We send to you, Madam Rhee, and the Korean people our deepest sympathy in this hour of trouble and our sincerest hope for ultimate victory.

Harold Wendell Lady