

May 17, 1951
**Letter, Lieutenant General John B. Coulter to
Syngman Rhee**

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Summary:

The Department of the Army of the United States advised that procurement in Korea should be obtained by requisition on the Republic of Korea. Several advantages by the system, and included supplies are listed. An opinion in response to the suggestion is attached.

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HEADQUARTERS
EIGHTH UNITED STATES ARMY KOREA
Office Deputy Army Commander

May 17, 1951

Dear Mr. President:

The Department of the Army of the United States, with the concurrence of the State and Treasury Departments, has advised that services, supplies and facilities procured in Korea, in support of the United States Armed Forces operations should be obtained by requisition on the Republic of Korea without payment therefor on the understanding that Republic of Korea will be responsible for compensation to owners or suppliers. Settlement of any such claims arising from providing such services, supplies and facilities by the Republic of Korea shall be a matter for later consideration by the Republic of Korea and the United States Government.

Such a system, properly implemented, has several advantages. The most important of these, perhaps, is that your government would have better control of the economy, and thus be better able to control inflation. Your government would also be in a position to collect applicable taxes at the time of making payment to owners or suppliers.

To implement this system, it is suggested that your government place representatives in cities where United States Army Purchasing and Contracting Officers are located. Requisitions, in the form of purchase orders issued by United States Army Purchasing and Contracting Officers, would be submitted to owners and suppliers, in exchange for services, supplies and facilities. Your representatives, acting as joint disbursing officers and tax collectors, after deduction of taxes, would make payment to owners or suppliers in exchange for purchase orders.

This system of procurement will include the following:

- a. Payment for real estate and/or claims for damage or destruction thereto.
- b. Payment for electric power.
- c. Payment for water.
- d. Payment for all supplies offered by Korean markets.
- e. Payment for contractual services other than direct hire labor.



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f. Underwriting continued operation of Korean National railroad.

Your favorable consideration of this matter is earnestly solicited.

Sincerely,

John B. Coulter
Lieutenant General, United States Army
Deputy Army Commander

His Excellency Syngman Rhee
President of the Republic of Korea.



AN OPINION ON THE SUGGESTION MADE BY 'EUSAK' PROPOSING REQUISITION ON THE REPUBLIC OF KOREA IN SUPPORT OF WAR OPERATIONS

1. If the Government of Korea is to follow the suggestion as proposed, the Government has to set up an additional budget to finance the requisition made by the US Army in Korea, and such budget should be subject to approval of the National Assembly.

Such budget would cover expenses for those items which are not known to the Korean Government and are uncertain in volume and amount thereof.

Therefore, it would be very difficult, if not impossible, to frame and administer such budget.

2. If the settlement of claims arising from requisition is deferred while the amount of expenditures to be disbursed by the Korean Government for compensation to suppliers as suggested exceeds the limit of capacity of the Korean Government in its present desperate anti-inflationary effort by all means, it is apprehended that the Korean economy would run into difficulty hampering successful prosecution of war in Korea.

3. The suggestion, in my opinion, would be considered and tried to implement if the US Army is willing to come into agreement with the Korean Government to reimburse at stated time and conversion rate such expenditures as to be paid by the Korean Government in compensation for requisition.