

November 9, 1956
**Report No. 100 from Young Kee Kim to Syngman
Rhee**

Citation:

"Report No. 100 from Young Kee Kim to Syngman Rhee", November 9, 1956, Wilson Center Digital Archive, B-337-030, The Korean Legation in the Philippines, Reports from the Korean Mission to the United Nations and Republic of Korea Embassies and Legations, Syngman Rhee Institute, Yonsei University.
<https://digitalarchive.umd.edu/document/123170>

Summary:

Young Kee Kim briefs President Rhee on the five point recommendation about PI-US military base agreement and pound-dollar exchange for the legation expense.

Credits:

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Original Language:

English

Contents:

Original Scan

Report No. 100

LEGATION OF THE REPUBLIC OF KOREA
MANILA, PHILIPPINES

November 9, 1956

Dear Mr. President:

A five point recommendation, drafted by a committee re-examining PI-US military bases agreements under Majority Leader Arturo M. Tolentino, contains the following specific changes: 1) Consolidation of military bases, military defense and military assistance treaties into a single mutual defense agreement; 2) To adopt the NATO-type rule so that attack upon any US base or US reservation in the Philippine territory should be met with immediate armed retaliation by the U.S.; 3) Military aid be furnished on the basis of effective utilization by the Philippine standing army be liberalized; 4) Logistic support in the procurement of spare parts and fuel requirements for the operation and maintainance of equipments, planes and vessels which may be given to the Philippines in the assistance program; and 5) Arms and munition plant be established to avoid difficult and interrupted supply from the U.S. in case of unforeseen eventuality.

Spokesman of the American panel Karl R. Bendetsen assured the Philippine government that title papers and claims to all its military bases will be turned over to the Philippines in the near future. With the sudden death of the U.S. Ambassador Albert F. Nufer, the re-opening of the PI-US military bases talks will be delayed until Nufer's successor assumes advisory capacity. Nufer, who had been here a little over three months, died of coronary thrombosis on November 6, and his remains were flown to Cuba for interment. Mrs. Nufer, a Cuban by birth, was supposed to join her husband on November 11.

With reference to your inquiry on the shrinkage in dollar of pound remittance for the Legation expense, I would like to elaborate on the mechanism of pound-dollar exchange here. The official exchange rate of sterling pound to dollar is one pound - \$2.82 on the basis of government to government transaction while the world market exchange rate fluctuates according to the demand and supply of the pound and dollar. In the free market, the English pound does not command par value of the official rate; and when the sterling pound is sold to buy dollar, more English pound is required to the purchase of dollars because of the depreciation of the pound. In my previous report No. 99, I stated that the October allowance in sterling remittance was short of \$189.00 as a result of the Suez crisis. Since the Egyptian war brought down the exchange value of the pound, it takes more depreciated sterling pound to purchase the dollar in the open market. For this reason, when the November remittance of 926 pounds, computed at the official rate was exchanged at the open market, the total amount of shrinkage in dollars reached \$226.55. In other words, the Legation received that much less amount from the original monthly budget. In proportion to the reduction of monthly allowance, the legation expense has been curtailed. A diplomat is not allowed to exchange the pound at the official

rate because it is not the financial settlement on the basis of government to government. The Philippines, not being in sterling area, the local banks discount the sterling on the open market rate when it is exchanged in dollar or local currency.

The extraordinary session of the Asian People's Anti-Communist League which closed on November 5, accomplished more than the previous meetings and it marked a milestone in the progress of anti-communist movements in the Orient. The Philippine Governmnet, fully cognizant of the imminent communist infiltration in the islands, lent moral and financial support to the meet of the extraordinary session, and the result was very gratifying. I hope I am wrong in passing my observation on the Korean delegation. It seemed to me that the delegation itself did not work as a team because of unpreparedness and lack of coordination.

Faithfully yours,

Young Kee Kim
YOUNG KEE KIM

His Excellency Syngman Rhee
President of the Republic of Korea
Seoul, Korea

Copy sent to Acting Foreign Minister Chung Whan Cho

*Mr Park
As far as I know,
all the resolutions,
drafted by our
delegations & initiated
by them too.*