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## **May 6, 1954**

### **Letter, Syngman Rhee to Paul W. Shafer**

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#### **Summary:**

Syngman Rhee wrote to Congressman Shafer to explain the Korean government's economic policy and Rhee's objections to the resolution related to the Private Enterprise Plan.

#### **Credits:**

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May 6, 1954

My dear Congressman Chafer:

I write this letter with the sincerest desire on my part to set facts straight about our philosophy of government. You have been a staunch and understanding friend of Korea and its cause. Often I recall the many valiant efforts you have made on behalf of Korea, particularly when I was fighting for our independence. It is needless to say that we are all appreciative of your cooperation and assistance.

Recently, House Concurrent Resolution No. 219 which was introduced by you came to my attention. Knowing your reputation as a sincere, capable and fair-minded representative I feel certain that the facts I am about to put down here will be helpful to you.

As for the declared purpose of your resolution - to create a national economy based upon the rights of private property and free competitive enterprise, - it is fully acceptable. I quite agree with such a goal. However I wish to point out that it would be completely untrue to imply that the Republic of Korea is a socialistic state with a government of monopolistic ownership of industry.

The Republic of Korea Government believes wholeheartedly in the principles commonly recognized as the basis of the free enterprise system. My belief in this was made clear last January in an interview granted Mr. Mac K. Johnson and printed in the New York Herald Tribune. I declared myself then, as I would now, unequivocally in favor of free enterprise and again I assure you that we are all working diligently to hasten the day when private business will be able to shoulder its full responsibilities in Korea. Let me cite the facts to support that statement.

After V-J Day in 1945, American occupation forces took over properties the Japanese had owned and operated in Korea. The Occupation authorities then turned over title to these properties - a vast majority of which had been "appropriated" or stolen from the Koreans during the preceding four decades - to the Republic of Korea



Government. This lawful transfer was accepted without question by the Japanese Government as a provision of the Instrument of Unconditional Surrender and of the Japanese Peace Treaty, although since then the Japanese Government has attempted to reclaim title to these properties and even has requested indemnities for damage done to them during the recent fighting caused by the communist invasion.

The young Republic of Korea Government immediately tackled the tremendous task of operating those industries, while trying to divest itself of their ownership. Through a land reform program, which helped tenant families become property owners and which provided the former owners with compensating Government bonds they could hold to maturity or utilize for industrial investments, the two-fold purpose was accomplished. Some venture capital was realized.

The Government, of course, tried very hard to encourage private industry. Where funds were lacking, responsible individuals who could put up half, or even less, of the risk capital, were granted government loans for the remainder. These loans could be repaid from profits. In many cases properties were auctioned off after the Government had helped to get the wheels of production rolling.

This program is continuing, but its completion was seriously delayed by the Communist invasion. Furthermore the setback suffered through destruction of many factories which were just getting into the black has seriously impaired Korea's economic recovery and slowed the divestment of properties still under Government management. We are pursuing this long-range plan and I do hope you understand this.

Further to elaborate the factual situation regarding the Korean economic condition, you undoubtedly know that for more than seven years Korea has been receiving aid funds from various United States agencies. This, it must be kept in mind, was money appropriated to help Korea get on her feet after the Japanese occupation and the subsequent war-wrought devastation.



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Yet in all this time virtually nothing of permanent nature has been achieved. Still in the "planning stage" are power plants, fertilizer factories, cement plants, mineral development, land reclamation and many other capital goods projects.

But the saddest thing of all is that much of the money appropriated to help Korea economically was unspent and we were told that this was the case because consumer goods manufactured in Japan were not available. My dear Congressman Shafer, as you will readily agree, the money was appropriated to help Korea and not Japan. To rebuild Japan's industry and make Korea dependent on Japan for her daily needs would be to sentence Korea to an economic serfdom similar to the total enslavement of the first half of the Twentieth century.

In recent weeks Korea has obtained the right to express her views on how aid funds should be spent through a joint chairmanship of the Combined Economic Board. We intend to see that the American taxpayer's money designated for Korea's rehabilitation is actually spent for that purpose.

However the Republic of Korea Government has no authority to handle a single dollar in aid funds. I mention this because of allegations that we are handing out this money to build up Government monopolies to the detriment of private business. As soon as business concerns under our control are rehabilitated, they are turned over to private business through public auction, or through other open and aboveboard methods.

There are of course some Government monopolies in Korea such as the tobacco and tungsten mines, which are carry-overs from the Japanese economy. Because tungsten is a vital strategic material we must make very sure that it does not fall into the hands of the communists in any way, shape or manner.

To be considered by the next National Assembly of the Republic of Korea, which will be elected this month, are several Constitutional amendments designed to restrict state ownership and encourage private enterprise and foreign investment. These amendments initially were submitted to the current session of the Assembly but



were withdrawn by the Government because of technical questions of language and preoccupation with the coming election in May. We are quite confident that the next Assembly will be composed of public-spirited men and women who are susceptible to the will of our people and we feel certain that the measures will receive favorable attention.

You may remember that the various provisions of the present Republic of Korea Constitution were drafted with the advice of the American experts. Our young Republic scarcely can be blamed for accepting the counsel of responsible representatives from an older and far more experienced democracy. It is also a fact that the laws which were in effect in Korea at that time were based upon the Japanese codes, stemming from Emperor-worship and that these codes prohibited foreign private investment. The Japanese tried to implant the idea that only thus could Korea be saved from foreign land grabbers. Fortunately, however, our Constitution, like that of the United States, can be amended and through the amendment process we shall alter those provisions which appear to be detrimental to the perfecting of the system of free enterprise.

Naturally you can understand why I would object to any implication or suggestion that Korea, the country which has been foremost in the relentless battle against Communism, subscribes to the principle of statism. My fear is that if your Resolution is accepted and passed, the net result will be a discriminatory one, because it might deprive Korea of American aid funds. At the same time it would permit the distribution of aid funds in certain countries where Communist influences are great. But of course I shall refrain from making such comparisons. It is enough to say that Korea's blood has flowed freely in the fight against Communism and for the freedom and dignity of the individual and that we stand ready and eager to make our sacrifices for permanent liberation from the menace that still hangs over the heads of all free men.

I have set forth these facts with respect to your Resolution. Please feel free to call upon me with any questions that you may have. I assure you that they will be answered honestly and frankly in the knowledge that you are a conscientious public servant, eager to



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do your duty and , at the same time be just as  
concerned with avoiding any injustice.

Yours sincerely,