The Department of State, with the concurrence of the War Department, has proposed legislation (copy attached) to authorize appropriations to the President not to exceed $78,000,000 in fiscal year 1948 for assistance to Korea beyond that assistance provided in the War Department estimates for 1948 now before Congress and involving $337,000,000. This is essentially the program recently announced by Secretary Marshall.

The $337,000,000 already in the War Department appropriation estimate is to supply relief and economic assistance necessary to prevent disease and unrest. The additional $78,000,000 is proposed to promote economic recovery toward the point where Korea will be self-supporting. It is a safe prediction that further funds will be necessary beyond 1948 for these purposes.

Until the U. S. and USSR zones are unified, U. S. funds under the proposal would be spent only for the U. S. zone, South Korea, unless a broader use would hasten unification of the two zones. State feels that economic improvement in South Korea will help to overcome Soviet reluctance to reunite the two zones. Since these zones are economically interdependent, unification would speed the return to self-sufficiency, and reduce the ultimate cost to the U. S.

The program anticipates that State will take over Korean administration from the War Department at the earliest possible date, probably during fiscal 1949. For this purpose the legislation provides for allocation of the $78,000,000 to whatever agency the President designates and for transfer of funds available for Korea from War's appropriation for government and relief in occupied areas, when the function is transferred.

The attached tentative draft of a Presidential Message prepared by the State Department, and which, I am advised, Secretary Marshall plans to discuss with you, sets forth the Korean situation and the need for enactment of the legislation.

I recommend approval of the legislation; and, if you agree, I will advise the State Department to that effect, so that the Department may arrange for the introduction of the legislation in Congress.
A B I L L

To further the achievement of Korean independence

WHEREAS the President of the United States, Generalissimo Chiang Kai-shek, and Prime Minister Churchill agreed at Cairo on December 1, 1943, that "in due course Korea shall become free and independent," and the President of the United States, the President of the National Government of the Republic of China and the Prime Minister of Great Britain agreed on July 26, 1945, at Potsdam, that "the terms of the Cairo Declaration shall be carried out," to which agreement the Union of Soviet Socialist Republics adhered on August 8, 1945; and

WHEREAS the Japanese Government accepted the Terms of Surrender on September 2, 1945, and has ceased to exercise any authority in Korea, where the United States forces have been in occupation south of 38 degrees north latitude since September 8, 1945; and

WHEREAS the President of the United States declared on September 18, 1945, that "The building of a great nation has now begun with the assistance of the United States, China, Great Britain and the Soviet Union who are agreed that Korea will become free and independent;" and

WHEREAS at a meeting in Moscow in December 1945 the Ministers of Foreign Affairs of the Union of Soviet Socialist Republics, the United Kingdom and the Secretary of State of the United States of America agreed to the establishment of a Soviet-United States Joint Commission to assist the formation of a provisional Korean government and to work out measures for the development of democratic self-government and the establishment of the national independence of Korea; and

WHEREAS the United States of America, by virtue of its above-mentioned declarations, has undertaken to promote the establishment of a United Korea with an independent and democratic government;

Therefore, Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That there is authorized to be appropriated to the President for the fiscal year 1945, not to exceed $75,000,000 to be expended in his discretion, and without regard to such provisions of law regulating the expenditure of Government funds or the employment of persons in the Government service as he shall specify, to provide economic assistance, training and education, and such other measures as may be necessary to promote the establishment of a stable government and a free and independent government for Korea, and for necessary expenses incident thereto.

Provided, that the appropriation of funds pursuant to this act shall not be construed to prevent or limit expenditures for similar purpose in Korea from funds appropriated to the War Department for the fiscal year 1945 for Government and Relief in Occupied Areas.
Section 2. The President may allocate sums from appropriations made pursuant to Section 1 for any of the purposes of this Act to any department or independent establishment or agency of the Government.

Section 3. The President may transfer to any department, independent establishment or agency of the Government, for any of the purposes of this Act, such sums as he may direct from appropriations for the fiscal year 1946 to the War Department for Government and Relief in Occupied Areas.

Section 4. By direction of the President, any department or independent establishment or agency of the Government may make expenditures from its appropriations, funds or accounts for the purposes of this Act, and the appropriations made or made available pursuant to this Act shall be available for reimbursement of such appropriations, funds or accounts.

Section 5. Such additional employees as may be required in connection with the furnishing of procurement, storage, transportation, shipment and other services under this Act and which services are paid for from funds herein authorized, shall not be counted as civilian employees within the meaning of Sections 304 and 305 of the Federal Employees Pay Act of 1916.

Section 6. No part of the appropriations authorized by this Act shall be used in any manner for that part of Korea north of 38 degrees north latitude unless the President determines that the economic and political unification of the two areas of Korea located north and south, respectively, of the 38 degree parallel has been accomplished or would be thereby promoted.

Section 7. The President shall submit to the Congress semi-annual reports of expenditures and activities under authority of this Act.

Section 8. The President may from time to time prescribe such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred upon him by this Act through any department, independent establishment or agency, or officer of the Government.
DRAFT MESSAGE ON KOREA

For Transmission
By
The President
I am happy to report to the Congress the recent agreement between the United States and the Soviet Union by which we have resumed our efforts to discharge our mutual responsibilities in Korea. At the same time I wish to recommend that the Congress give favorable consideration to a supplementary program of economic assistance to Korea during the fiscal year 1948 in the amount of $78 million.

Let us review briefly the relations between the United States and Korea as they have developed.

The American people have long had sympathetic feelings for the Korean people. American missionaries supported by American churches of all denominations, have brought spiritual guidance, education and medical aid to the Korean people during their forty years of Japanese bondage. All Americans, who have come to know the Korean people, appreciate as perhaps only Americans can, their fierce passion for freedom and their keen desire to become a free and independent nation.

Early in the war with Japan we resolved that Korea should be liberated. The United States joined with the United Kingdom and China in December, 1943 to declare that in due course Korea should become free and independent. This pledge was reaffirmed in the Potsdam Declaration of July 26, 1945, and the Soviet Union associated itself with this pledge when it entered the war against Japan. With our victory over Japan twenty months ago, I heralded the liberation of Korea. I praised the courage of the Korean people who during the long years of Japanese domination retained their proud cultural heritage.
and kept alive the spirit of liberty. I said then that the building of a
great nation had begun.

However, I regret to have to report that despite the pledges of the
Allied nations, Korea is still a divided nation with no government of her own.

The division of Korea into two permanent zones of occupation was never
intended by the United States. The sole purpose of the line along the 38th
parallel was to facilitate acceptance by the Soviet and U.S. forces of the
surrender of Japanese troops north and south of that line. Therefore, im-
mediately after the completion of the Japanese surrender, General Hodges, the
American Commander in Korea, endeavored to obtain the cooperation of the
Soviet Commander in unifying the economy and administration of Korea. His
efforts were unsuccessful.

In order to remedy this unintended and unfortunate division of Korea and
to provide a plan for the early independence of Korea, the foreign ministers
of the United States, the United Kingdom and the Soviet Union, meeting at
Moscow in December, 1945, agreed, with China's adherence, on procedures to
unite Korea and to aid the Korean people in the development of democratic
self-government and the establishment of national independence.

This agreement contemplated the early establishment of a provisional
government of Koreans for all Korea. It placed on the United States and the
Soviet Union
Soviet Union the responsibility for taking action through a Joint US-Soviet Commission to consult with Korean democratic parties and social organizations in preparing proposals for the formation of such a government.

The first session of the Joint Commission was unable to carry out the intent of the Moscow decision because the two sides could not agree on the Korean parties and social organizations to be consulted. The United States delegation took the position that representatives of all democratic Korean parties should be consulted. The Soviet delegation contended that all Koreans who had spoken or written against the Moscow Agreement should be excluded from consultation. The criterion proposed by the Soviet representatives would have made a narrow minority the spokesmen for all Korea. It would have been contrary to American principles of freedom of speech and was therefore rejected. The Joint Commission adjourned May 8, 1946.

Repeated efforts by the U.S. Commander to reconvene the Joint Commission failed. However, in April of this year, Secretary Marshall urged upon Foreign Minister Molotov the importance of reconvening the Joint Commission. After an exchange of letters, the Soviet Foreign Minister agreed to its reconvening on terms which the U.S. Commander had proposed five months ago. The Commission resumed discussion on May 21. I sincerely hope for its success.

Unfortunately, however, the long delay in unifying Korea has left her economically weak and politically torn by factionalism. Her thirty million people already were suffering from the effects of four years of oppressive colonial rule which geared industrial production to Japan's war machine and exploited the trade of Korea for Japanese profit. The separation of Korea into two zones has severed the agricultural south from the industrial north and has further handicapped her recovery. Crop shortages resulting from floods and the
the lack of fertilizer, plus a cholera epidemic, and difficulties in transportation have aggravated an already grave situation. As would be expected, economic difficulties of this magnitude have resulted in serious political unrest.

We cannot risk further delay. Whatever the outcome of the deliberations of the Joint Commission, the United States has a serious responsibility toward the people of Korea. The basic needs of twenty million Koreans who live in the United States area of occupation require that we proceed at once with a positive program which will enable them as rapidly as possible to stand on their own feet economically.

A study has been prepared by the Secretaries of State and War on the basis of establishing a stable economy in southern Korea within three years. The program which I am recommending for adoption in the coming fiscal year is consistent with and essential to the accomplishment of this objective.

A sound program in the coming fiscal year will require the appropriation of an aggregate sum of $215 million. I have previously recommended to the Congress appropriations to the War Department for Government and Relief in Occupied Areas which would permit the use of $137 million from that source for these purposes in Korea. The supplemental sum needed in the coming fiscal year for the program planned for Korea will, therefore, be $78 million in order to make available the necessary aggregate of $215 million.

I want to emphasize that the expenditure of the entire sum provided for our program in Korea will be under American control, will be open to inspection by representatives of the press and radio and will be reported on to Congress.

I believe that the adoption of this program for fiscal year 1948 makes sense. The supplemental expenditure involved will start the transformation of southern
southern Korea from a food deficit to a food surplus area. The attainment of that goal will not only improve the low nutritional standard of the Koreans but will provide some exports to pay for necessary imports. The proposed program will increase the supply of consumer goods by restarting essential local industries. It will underwrite intensive training of a nucleus of Korean technicians, now few in number as a result of the Japanese policy of monopolizing all positions requiring technical skill. By strengthening the transportation system, it will make possible the adequate distribution of consumer's goods, a necessity in preventing a breakdown of agriculture and industry. By increasing Korean agricultural and basic industrial production, we will progressively and sharply reduce the need for essential imports now furnished by the United States, at an annual cost of $140 million, to provide bare subsistence.

Furthermore, by making possible the training of an increased number of Koreans to take positions of responsibility in government and industry, the grant-in-aid program will do much to assure a stable, efficient government and accelerate the assumption of full responsibility by the Koreans. The extension of suffrage, the improvement of educational facilities, the training of teachers, and the expansion of adult education all will serve to assist the Koreans in establishing self-government and in applying the principles of democracy.

As we progress toward fulfillment of the Moscow Agreement, it is appropriate that the U. S. administration of this liberated area be gradually transferred from military to civilian responsibility. Accordingly, I have approved the recommendation of the Secretaries of State and War that the State Department should through successive stages assume the responsibility for discharging non-military
mean military responsibilities in Korea. This eventual change to civilian administration is foreseen and provided for in the proposed program.

The United States Government was pleased to note, and agrees with, the Soviet Foreign Minister's view that the Joint Commission consider with the provisional Korean Government when it is established, American and Soviet proposals concerning aid to the Korean people. The initiation of our program now will demonstrate concretely our willingness to bring urgently needed aid to the Korean people. Since it is designed to meet basic needs it may be readily integrated in a program for the whole of Korea in consultation with the provisional government of Korea when it is established. Meanwhile, despite the efforts of our occupation forces, the long delay in unification has resulted in a disintegration of the Korean economy which makes positive action imperative now.

We must proceed at once to strengthen the economy of southern Korea.

Korea is entitled to more than the shadow of independence. We are resolved to do our part to enable Korea to become economically self-supporting and to prepare her to become at an early date an independent state and a member of the United Nations. It was to achieve those ends that we entered into the agreement at Moscow with the USSR, United Kingdom, and China concerning Korea. It is clear with that purpose that we are renewing our discussions in the US-Soviet Joint Commission. We hope that substantial progress will result from these discussions but if no progress is made, we will not give up our efforts to carry out our pledges to the Korean people. Should developments indicate the desirability of such a course, we will ask the United Nations to assist in finding a way to help Korea to assume its rightful place as an independent, democratic member.

Korea, with its 30 million people, is an area of great political significance in the Far East. Political instability in Korea has twice in modern times
encouraged aggression and contributed to war in the Far East. The seizure of Korea was the first step in the Japanese aggression which culminated in World War II. A weak Korea, unable to support itself and to sustain its independence, would constantly invite trouble. An economically sound and politically stable and united Korea will be an active force toward the peace and well-being of all Asia. This objective is of paramount importance to the peace and security of the United States.

The people of Korea, long oppressed, look to America for help and guidance to achieve their freedom and their independence. If we are mindful of our interest and are faithful to our ideals, we will not fail them.